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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Ninety-fourth Meeting  
Montreal, 27-31 May 2024  
Item 9(d) of the provisional agenda<sup>1</sup>

**PROJECT PROPOSAL: THE ISLAMIC REPUBLIC OF IRAN**

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

Phase-out

- HCFC phase-out management plan (stage II, fifth tranche)

UNDP, UNEP,  
UNIDO and Italy

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

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**The Islamic Republic of Iran**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>	<b>MEETING APPROVED</b>	<b>CONTROL MEASURE</b>
HCFC phase-out plan (stage II)	UNDP (lead), UNEP, UNIDO, Italy	77 <sup>th</sup> ExCom	75% phase-out by 2023

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2022	156.85 ODP tonnes
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>							<b>Year: 2023</b>		
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22		1.15		17.52	39.19				57.86
HCFC-141b		10.79		25.02					35.81

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009—2010 baseline:	380.50	Starting point for sustained aggregate reductions:	380.50
<b>CONSUMPTION ELIGIBLE FOR FUNDING</b>			
Already approved:	308.76	Remaining:	71.74

<b>(V) ENDORSED BUSINESS PLAN</b>		<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total</b>
UNDP	ODS phase-out (ODP tonnes)	4.86	0.0	0.0	4.86
	Funding (US \$)	361,510	0	0	361,510
UNEP	ODS phase-out (ODP tonnes)	2.01	0.0	0.0	2.01
	Funding (US \$)	157,400	0	0	157,400
UNIDO	ODS phase-out (ODP tonnes)	7.50	0.0	0.0	7.50
	Funding (US \$)	558,153	0	0	558,153

<b>(VI) PROJECT DATA</b>		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019*</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023**</b>	<b>2024***</b>	<b>Total</b>	
Montreal Protocol consumption limits (ODP tonnes)		342.45	342.45	342.45	342.45	247.33	247.33	247.33	247.33	247.33	n/a	
Maximum allowable consumption (ODP tonnes)		342.45	342.45	266.35	266.35	247.33	247.33	247.33	95.13	95.13	n/a	
Funding agreed in principle (US \$)	UNDP	Project costs	1,298,170	0	1,593,980	0	1,307,980	0	1,268,103	0	337,860	5,806,093
		Support costs	90,872	0	111,579	0	91,559	0	88,767	0	23,650	406,427
	UNIDO	Project costs	473,567	0	584,000	0	524,000	0	0	0	****0	1,581,567
		Support costs	33,150	0	40,880	0	36,680	0	0	0	****0	110,710
	UNEP	Project costs	200,000	0	190,000	0	170,000	0	0	0	140,000	700,000
		Support costs	24,857	0	23,614	0	21,129	0	0	0	17,400	87,000
	Germany	Project costs	645,500	0	954,018	0	139,754	0	32,400	0	0	1,771,672
		Support costs	73,420	0	111,723	0	16,176	0	3,685	0	0	205,004
	Italy	Project costs	403,203	0	504,004	0	0	0	0	0	0	907,207
		Support costs	48,797	0	60,996	0	0	0	0	0	0	109,793
Funds approved by ExCom (US \$)		Project costs	3,020,440	0	3,826,002	0	2,141,734	0	1,300,503	0		10,288,679
		Support costs	271,096	0	348,792	0	165,544	0	92,452	0		877,884
Total funds recommended for approval at this meeting (US \$)		Project costs									477,860	477,860
		Support costs									41,050	41,050

\* The second tranche request was first submitted to the 83<sup>rd</sup> meeting (2018), subsequently withdrawn, and resubmitted to the 84<sup>th</sup> meeting (2019).

\*\* At the 92<sup>nd</sup> meeting (2023), the Government of Germany ceased being the cooperating agency for stage II. Unused balances and remaining activities were transferred to UNDP in line with decision 92/13.

\*\*\* The fifth tranche request was first submitted to the 93<sup>rd</sup> meeting (2023), subsequently withdrawn, and resubmitted to the 94<sup>th</sup> meeting (2024).

\*\*\*\* US \$521,638, plus agency support cost of US \$36,515, programmed for UNIDO under the fifth tranche, is not being requested at the 94<sup>th</sup> meeting and is to be deducted from the overall level of funding for stage II.

<b>Secretariat's recommendation:</b>	Individual consideration
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## PROJECT DESCRIPTION

1. On behalf of the Government of the Islamic Republic of Iran, UNDP as the lead implementing agency has submitted a request for funding for the fifth and final tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US \$518,910, consisting of US \$337,860, plus agency support costs of US \$23,650, for UNDP, and US \$140,000, plus agency support costs of US \$17,400, for UNEP.<sup>2</sup> The submission includes a progress report on the implementation of the fourth tranche, verification reports on HCFC consumption for 2022 and 2023, and the tranche implementation plan for 2024 to 2025.
2. The programmed tranche of US \$521,638, plus agency support costs of US \$36,515 for UNIDO, is not being requested and is being deducted from the overall level of funds of stage II of the HPMP.

### Report on HCFC consumption

3. The Government of the Islamic Republic of Iran reported under the country programme (CP) implementation report a consumption of 93.67 ODP tonnes of HCFCs in 2023, which is 75 per cent below the country's HCFC baseline for compliance and 1.5 per cent below the maximum allowable consumption for the same year stated in the Agreement between the Government and the Executive Committee. The Article 7 data for 2023 hasn't been reported yet. The 2019-2023 HCFC consumption is shown in table 1.

**Table 1. HCFC consumption in the Islamic Republic of Iran (2019-2023 Article 7 data)**

HCFC	2019	2020	2021	2022	2023*	Baseline
<b>Metric tonnes (mt)</b>						
HCFC-22	1,058.09	1,511.47	1,356.37	1,830.89	1,051.93	2,974.55
HCFC-141b	50.88	732.15	447.61	510.46	325.53	1,971.82
<b>Total (mt)</b>	<b>1,108.97</b>	<b>2,243.62</b>	<b>1,803.98</b>	<b>2,341.35</b>	<b>1,377.46</b>	<b>4,945.80</b>
<b>ODP tonnes</b>						
HCFC-22	58.19	83.13	74.60	100.70	57.86	163.60
HCFC-141b	5.60	80.54	49.24	56.15	35.81	216.90
<b>Total (ODP tonnes)</b>	<b>63.79</b>	<b>163.67</b>	<b>123.84</b>	<b>156.85</b>	<b>93.67</b>	<b>380.50</b>

\* CP data

4. HCFC consumption has fluctuated in recent years, due to several factors combined with the successful implementation of conversion projects under the HPMP and related control measures imposed by the Government, among other factors. The sharp decline observed in 2018 and 2019 was in part due to the economic downturn resulting from international sanctions and the country's restricted access to the supply chain of HCFCs, raw materials and equipment. In 2020, economic activity picked up, which was reflected in HCFC consumption temporarily growing in response to market demand. In 2021, due to the impact of the COVID-19 pandemic, HCFC imports decreased again, followed by a post-pandemic rebound in 2022. In compliance with the HPMP targets, HCFC consumption in 2023 was reduced through the application of import quotas; overall demand for HCFCs has further lessened due to the completion of several projects under the HPMP, continued economic downturn due to sanctions, significant inflation, and general slow-down of all industrial activity.

### *Country programme implementation report*

5. The Government of the Islamic Republic of Iran reported HCFC sector consumption data under the 2022 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

<sup>2</sup> As per the letter of 11 March 2024 from the Department of the Environment of the Islamic Republic of Iran to UNDP.

*Verification report*

6. The verification report confirmed that the Government continued to implement its licensing and quota system for HCFC imports and exports, that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2022 and under the CP implementation report for 2023 was correct (as shown in table 1 above), and that the Islamic Republic of Iran met the targets set out in its Agreement with the Executive Committee for stage II of the HPMP.

Progress report on implementation of the fourth tranche of stage II of the HCFC phase-out management plan*Legal framework*

7. During the reporting period, the licensing and quota system was improved to facilitate its application and to provide the national ozone unit (NOU) with real-time data. A six-month waiting period between import requests by the same importer has been introduced. Importers of HCFCs for servicing are now required to provide proof of having imported these substances over three years prior to applying for new permits; while the importers of HCFCs for manufacturing are obliged to facilitate a NOU visit to their manufacturing sites before requesting new permits, and to provide details about past imports when applying.

8. The ban on the import and use of HCFC-141b pure or contained in pre-blended polyols, originally planned for 1 July 2023, is expected to come into force by 1 July 2024, as noted by the Executive Committee at the time of submission of the fourth tranche at the 90<sup>th</sup> meeting. The ban on the use of HCFC-22 in the manufacturing of refrigeration and air-conditioning (RAC) equipment, originally planned for 1 January 2023 and later postponed to 1 January 2024,<sup>3</sup> was not issued due to continuing delays in the implementation of enterprise conversions and technical assistance activities in the servicing sector. The Government is requesting to further postpone the ban to 1 January 2026.

*Polyurethane foam manufacturing sector (UNDP, UNIDO, and the Government of Italy)*

9. The Government of the Islamic Republic of Iran and the implementing agencies have continued to progress, albeit with delays, on converting polyurethane (PU) foam enterprises to technologies based on alternatives with low global-warming potential (GWP). In line with decisions 84/74(c)(i) and 90/45(b),<sup>4</sup> UNDP has submitted a detailed report on the status of conversions for every project implemented in the foam sector by each agency under stage II. The results achieved by each sub-project in the foam sector are summarized in table 2.

**Table 2. Status of project implementation in the PU foam sector plan\***

<b>Alternative technology selected</b>	<b>Implementing agency</b>	<b>Progress achieved</b>
<i>Individual conversions of five enterprises manufacturing domestic refrigeration and discontinuous panels and a group sub-project for the conversion of 42 small and medium-sized enterprises (SMEs) in several applications</i>		
Cyclopentane, pre-blended hydrocarbon (HC), carbon dioxide (CO <sub>2</sub> )	UNIDO (Italy)	A total of 19 eligible enterprises were included in the project. Three enterprises have completed conversions, three additional ones have received equipment, and the remaining ones are in the process of receiving equipment and raw materials for their conversion.  As no additional enterprises have been identified as eligible for conversion, UNIDO will not request the funds associated with the last

<sup>3</sup> As noted in decision 90/28.

<sup>4</sup> To request UNDP, UNIDO, the Government of Germany and the Government of Italy to submit, with each funding tranche request, a detailed report on the status of the conversion of each of the foam projects covered under stage II, including the financial viability, the current level of HCFC-141b consumption, the alternative technology selected, the total cost to the Multilateral Fund and the level of co-financing, as applicable.

Alternative technology selected	Implementing agency	Progress achieved
		tranche (US \$521,638) and will return at the 94 <sup>th</sup> meeting US \$50,600 corresponding to two spray foam enterprises that had initially been included in the project but found ineligible.
<i>Individual conversions of three enterprises manufacturing panels for commercial refrigeration equipment</i>		
Cyclopentane	UNDP	The three enterprises have completed their conversion to cyclopentane.
<i>Group conversion of 40 enterprises manufacturing panels for commercial refrigeration equipment</i>		
CO <sub>2</sub>	UNDP	Thirty-five enterprises received raw material and equipment and completed conversion to water-blown technology. The remaining five enterprises will complete their conversions by December 2024.
<i>Conversion of two enterprises manufacturing integral skin foam</i>		
CO <sub>2</sub>	UNDP	One enterprise completed the conversion. Equipment delivery for the second enterprise continues to be delayed. Project completion is expected by September 2024.
<i>Technical assistance for the development of cyclopentane systems at one systems house</i>		
Cyclopentane	UNDP	Equipment commissioning has been delayed due to restrictions to travel to the country. The equipment supplier has identified a local, qualified enterprise that can assist in completing equipment installation and commissioning. Project completion is expected by June 2024.
<i>Technical assistance for development of water-blown systems at a systems house; technical assistance to 95 SMEs</i>		
CO <sub>2</sub>	UNDP	Equipment has been delivered to the systems house and is being installed. Technical assistance to the systems house is ongoing. Technical assistance to SMEs suffered a delay due to the transfer of the project from the Government of Germany to UNDP. Currently 51 eligible SMEs are being assisted and 39 additional ones will be incorporated in 2024. Project completion is expected by December 2024.

\* Number of assisted enterprises taking into consideration adjustments made in decision 84/74(a) and (b).

#### *Commercial refrigeration manufacturing sector (48 enterprises) (UNDP)*

10. Stage II of the HPMP included the conversion to R-290 of all HCFC-based SMEs in the country's commercial refrigeration manufacturing sector. Fifteen of these SMEs have completed conversions and are now manufacturing equipment that uses R-290, and an additional 17 have received the refrigeration kits and tools and have also started manufacturing equipment with R-290. The remaining 16 enterprises have been verified and confirmed to be eligible and operational, with the refrigeration kits and tools partially delivered and pending distribution among 12 beneficiaries and the equipment procurement process ongoing for the remaining four. The conversion of all enterprises is expected to be completed by December 2025.

#### *Refrigeration servicing sector (UNDP, UNEP and UNIDO)*

11. The following activities were implemented in the refrigeration servicing sector:

- (a) UNDP: One refrigerant distribution centre has been completed and made operational; equipment for the second centre was delivered, with installation expected to be completed by May 2024; technical assistance in introducing CO<sub>2</sub> trans-critical systems in commercial refrigeration at two servicing and assembling enterprises is ongoing, with two units

commissioned for delivery by July 2024; training on the adoption of R-290 was provided to the commercial refrigeration enterprises being converted; equipment procurement process is ongoing for the demonstration of an HC-based chiller; the guidelines for the use of refillable cylinders have been issued and a draft ban on non-refillable cylinders have been drafted for future application;

- (b) UNEP: Training on good servicing practices has been provided to 19 trainers (only men) and 166 technicians (157 men and 9 women); the competency assessment methodology for certification has been tested by certifying 19 trainers and an additional 21 technicians will be certified under this tranche; additional seven workshops on good servicing practices for around 140 technicians are being conducted; the Technical Vocational Training Organization (TVTO) is in the process of developing an educational website in Farsi and English for RAC trainers and technicians; and further standards on the handling of flammable refrigerants are being developed in cooperation with the Institute of Standards and Industrial Research of Iran; and
- (c) UNIDO: All activities have been completed, including the distribution of four refrigerant identifiers to customs offices and the six TVTO centres continuing to train technicians on a regular basis using equipment acquired under previous tranches.

*Project implementation and monitoring*

12. The project monitoring unit (PMU) has continued assisting the NOU in the implementation and monitoring of activities under stage II, *inter alia* with the recruitment of staff and consultants, preparation of annual work plans and progress reports, site visits of ongoing projects, preparation of technical specifications and coordination of equipment procurement, delivery and verification of procured equipment, management of the administrative and financial aspects of project implementation, and coordination of non-investment activities. The costs incurred by the PMU during the implementation of the first four tranches of stage II are presented in table 3.

**Table 3. PMU costs in stage II of the HPMP for the Islamic Republic of Iran (US \$)**

Particulars	Approved in principle	Approved so far	Disbursed so far
Project implementation and coordination (staff costs, national stakeholder meetings, computers and electronic equipment, furniture and equipment, stationery and printing, communication, operational and overhead costs)*	500,000	290,000	320,316
Project monitoring (periodic visits to enterprises, preparation of annual work plans and periodic progress reports)	80,000	80,585	43,795
Policies and regulations (stakeholder meetings for project progress assessment, planning, and implementation)	30,000	100,000	21,271
Capacity building (government stakeholder training workshops)	10,000	58,415	26,806
<b>Total</b>	<b>620,000</b>	<b>529,000</b>	<b>412,188</b>

\*The expenditure on this budget line above the allocated budget was covered by reallocation from the other PMU lines. The value disbursed is still below the overall budget approved in principle for this line.

Level of fund disbursement

13. As of April 2024, of the US \$9,786,433 approved so far (taking into account the deductions and transfers approved by decisions 80/21(c), 84/74(a)(iv) and 92/3(b)(v)), US \$6,728,061 had been disbursed (US \$4,229,417 for UNDP, US \$403,053 for UNIDO, US \$348,426 for UNEP, US \$1,645,127 for Germany and US \$102,038 for Italy), as shown in table 4. The balance of US \$3,058,372 will be disbursed in 2024—2025, noting that out of this value, US \$50,600 will be returned by UNIDO to the Multilateral Fund due to the ineligibility of two spray foam enterprises.

**Table 4. Financial report of stage II of the HPMP for the Islamic Republic of Iran (US \$)**

Tranche		UNDP	UNIDO	UNEP	Germany	Italy	Total	Disb. rate (%)
First	Approved	1,298,170	473,567	200,000	645,500	403,203	3,020,440	84.2
	Disbursed	1,298,170	334,387	184,569	645,500	81,232	2,543,858	
Second	Approved	1,593,980	584,000	190,000	*827,473	504,004	3,699,457	69.6
	Disbursed	1,554,911	37,876	135,091	827,473	20,806	2,576,157	
Third	Approved	1,307,980	**148,299	170,000	139,754	0	1,766,033	71.4
	Disbursed	1,062,118	30,790	28,766	139,754	0	1,261,428	
Fourth	Approved	***1,268,103	0	0	32,400	0	1,300,503	26.7
	Disbursed	314,218	0	0	32,400	0	346,618	
Total	Approved	<b>5,468,233</b>	<b>1,205,866</b>	<b>560,000</b>	<b>1,645,127</b>	<b>907,207</b>	<b>9,786,433</b>	<b>68.7</b>
	Disbursed	<b>4,229,417</b>	<b>403,053</b>	<b>348,426</b>	<b>1,645,127</b>	<b>102,038</b>	<b>6,728,061</b>	
	Balance	1,238,816	802,813	211,574	0	805,169	3,058,372	

\* Including a deduction of US \$126,545 in line with decision 80/21(c).

\*\* Including a deduction of US \$375,701 in line with decision 84/74(a)(iv).

\*\*\* Including the addition of funds transferred from the Government Germany as follows: US \$93,017 from the second tranche, US \$145,255 from the third tranche and US \$565,600 from the fourth tranche, in line with decision 92/3(b)(v).

#### Implementation plan for the fifth and final tranche of stage II of the HCFC phase-out management plan

14. The following activities will be implemented between July 2024 and December 2025:

##### *Polyurethane foam manufacturing sector*

- (a) Completing the ongoing conversion of 19 enterprises to cyclopentane, pre-blended pentane or water-blown technology (UNIDO and Italy) (funds from previous tranches);
- (b) Completing the conversion of the remaining five enterprises (out of 40) to water-blown technology, the conversion of the last integral skin enterprise (out of two) to water-blown technology, completing the technical assistance in developing cyclopentane systems to one systems house and in developing water-blown technology to another systems house, and completing technical assistance in adopting water-blown technology to 95 SMEs (UNDP) (US \$100,000);

##### *Commercial refrigeration sector*

- (c) Completing conversions of the last 16 enterprises (out of 48), including the review of manufacturing facilities, design of specifications, support for product prototyping, and procurement and delivery of conversion kits for the adoption of R-290 technology (UNDP) (US \$50,000);

##### *Refrigeration servicing sector*

- (d) Distributing a commercial refrigeration and a transport refrigeration units and tools<sup>5</sup> for training purposes to TVTO centres to support training on RAC equipment installation; provision of specialized training to manufacturers in collaboration with research institutes; review and application of the manufacturing and testing standards for good equipment

<sup>5</sup> Including compressors, electronic expansion valves, evaporator plate for R-290, controls, remote sensing units, 8 channel temperature dataloggers, 2 channel pressure dataloggers, interface for real time and data download for processing, and software package.

design; and implementation of a strategy for reusable refrigerant cylinders (UNDP) (US \$96,860);

- (e) Continued strengthening of the HCFC quota and licensing system, related monitoring mechanisms and other relevant regulations; training of at least 40 additional customs and enforcement officials on the Montreal Protocol and HCFC control measures, including risk profiling; and production and distribution to customs officers of simple, up-to-date information material on *inter alia* risk profiling, the updated colour scheme for refrigerant cylinder labelling and the harmonized system codes, and of the training manual (UNEP) (US \$17,500);
- (f) Training of at least 300 additional RAC technicians in good servicing practices; continued implementation of the pilot technician certification programme, including certification of an additional 160 technicians (for a total of 200 technicians under stage II); translation of the training and assessment material; organization of 12 technology roadshows and organization of at least two additional activities to support the RAC associations; (UNEP) (US \$74,850);
- (g) Developing at least one additional standard operating procedure for the RAC manufacturing and servicing sectors on handling refrigerants alternative to HCFCs; carrying out a needs assessment study on international standards for flammable refrigerants to be adapted and introduced in the country; organizing a workshop for manufacturers and technicians on the use of R-290 in commercial refrigeration in collaboration with the RAC associations; and translating or producing and distributing at least two types of information material to support the transition to low-GWP alternatives through print and video; ensuring stakeholder engagement and coordinating and overseeing the servicing activities (UNEP) (US \$47,650); and

*Project monitoring unit*

- (h) Technical assistance, carrying out of data processing and quality control, preparation of reports, holding of meetings with stakeholders and visits to beneficiary enterprises (UNDP) (US \$91,000, including project implementation and coordination (US \$72,800), monitoring (US \$11,800), policies and regulations (US \$4,500), and capacity building (US \$1,900)).

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

#### Progress report on implementation of the fourth tranche of stage II of the HCFC phase-out management plan

##### *Legal framework*

15. The Government of the Islamic Republic of Iran has already issued HCFC import quotas for 2024 at 95.10 ODP tonnes or 1,556 mt, including 1,383 mt of HCFC-22 and 173 mt of HCFC-141b, which is slightly lower than the control target of 95.13 ODP tonnes stated in the Agreement between the Government and the Executive Committee.

##### *Finalization of the polyurethane foam sector component (UNIDO)*

16. During the consideration of the fourth tranche at the 90<sup>th</sup> meeting, UNIDO indicated that some of the remaining PU foam enterprises to be converted under its project might not be eligible or in operation

and required more time to verify them. Accordingly, the release of the fourth tranche for UNIDO (US \$447,638) was postponed to be submitted along with the fifth tranche (US \$74,000), at a total amount of US \$521,638, until the eligibility of the concerned enterprises was confirmed.

17. UNIDO and the NOU have completed the assessment of the remaining PU foam enterprises and concluded that those were either ineligible for further assistance, no longer operational, or had retrofitted their equipment independently. Based on those findings, only 19 out of the 40 initially selected enterprises would receive assistance, and UNIDO would not request the last funding tranche, corresponding to US \$521,638,<sup>6</sup> plus agency support costs of US \$36,515. In addition, UNIDO would return at the 94<sup>th</sup> meeting US \$50,600 corresponding to two spray foam enterprises (Tejarat Aftab and Akia Duetch) that had been initially included in the project (in addition to the 19 being funded) but found ineligible.

18. In line with decision 84/74(c), the Secretariat analysed the final list of enterprises assisted under UNIDO's component, noting that the total level of funds allocated to those enterprises was US \$1,765,636 to achieve a phase-out of 281 mt of HCFC-141b at a cost-effectiveness level of US \$6.28/kg. This does not represent a deviation from the approved cost-effectiveness of the PU foam sector for stage II (US \$6.79/kg). On this basis, there is no additional recovery of funds further to those already being returned by UNIDO. The Agreement between the Government and the Executive Committee will be adjusted to reflect the reduction of UNIDO's last funding tranche.

#### *Finalization of the polyurethane foam sector component (UNDP)*

19. UNDP provided a detailed list of all PU foam enterprises it had assisted under stage II, confirming that all enterprises identified so far were eligible. Out of those, 39 have completed conversions (including all three individual conversions to cyclopentane, 35 (out of 40) conversions to water-blown technology in the group project, and one out of two participating integral skin enterprises having converted to water-blown technology). In line with decision 84/74(c), UNDP will be requested to provide, at the 96<sup>th</sup> meeting, the final list of foam enterprises included in stage II of the HPMP, including their financial viability, current level of HCFC-141b consumption, the alternative technology selected, the total cost to the Multilateral Fund, and the level of co-financing, as applicable. In line with that decision, once all enterprises have been verified and the funds allocated, any deviation from the approved cost-effectiveness of the PU foam sector for stage II (US \$6.79/kg) will be reported to the Executive Committee and recovered from the funds remaining for stage II of the HPMP.

#### *Upcoming bans and completion of ongoing projects*

20. The Secretariat noted that the Government would issue a ban on the imports and use of HCFC-141b by 1 July 2024 (as noted by the Executive Committee at the 90<sup>th</sup> meeting), but would postpone to 1 January 2026 the ban on the use of HCFC-22 in the manufacturing of RAC equipment planned for 1 January 2024. UNDP explained that this was to allow for the completion of the conversion and technical assistance project in commercial refrigeration, which was proceeding slowly mainly because of procurement challenges induced by broader economic issues (e.g., difficulties to identify equipment suppliers and experts, restrictions to travel to the country, need for permits to export equipment to the country). While the process of transferring implementation responsibilities from the Government of Germany to UNDP entailed certain delays, UNDP had accelerated the implementation with the appointment of two technical experts to assist in all activities.

21. Noting the circumstances described, the Secretariat considers that issuing the ban on the use of HCFC-22 in the manufacturing of RAC equipment in 2024, i.e., before the projects in commercial refrigeration are completed, could result in the adoption of high-GWP HFCs, undermining the sustainability

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<sup>6</sup> US \$447,638 from the fourth tranche and US \$74,000 from the fifth tranche.

of the HPMP. The further deferral of the ban will allow for a proper completion of all commercial refrigeration conversion projects and ensure equal treatment of all enterprises.

22. Upon request, UNDP provided confirmation that the PU foam projects would be completed by the end of 2024 and that all remaining activities in the commercial refrigeration manufacturing sector and in the refrigeration servicing sector would be completed by December 2025, as per the extension granted by the Executive Committee for the completion of stage II of the HPMP at the 90<sup>th</sup> meeting. No further extension for stage II of the HPMP is required. As per established practice, any unused balances as of 31 December 2025 would be returned to the Fund.

#### *Refrigeration servicing sector*

23. Activities in the refrigeration servicing sector continue to show progress, albeit with some delays due to the circumstances explained above. The implementation has slowed down *inter alia* due to the transfer of Government of Germany's activities to UNDP at the 92<sup>nd</sup> meeting. Despite of this, it is noted that with the lifting of the COVID-19 pandemic restrictions, in-person training and awareness building activities have resumed, with UNEP reporting a total of 929 technicians (879 male and 50 female) trained in good servicing practices under stage II, close to the target of 1,000 for the stage, in addition to those who completed regular training through the TVTO centres assisted by UNIDO.

24. The establishment of the technician certification scheme has also suffered delays due to additional time required to update the curriculum and to complete funding transfers, but the first 19 trainers were already certified, and it is expected that by the end of the next tranche the established target of 200 technicians to be certified under stage II will be reached.

25. Regarding the establishment of the second refrigerant refilling centre by UNDP, following difficulties to identify a reliable supplier and obtain related export permits, all equipment has been procured and delivered to the beneficiary and is currently being installed. Up to now, the trials and testing have been completed, as well as the administrative procedures required for providing refilled cylinders to end users. UNDP confirmed that this and all other ongoing activities in the refrigeration servicing sector continued to progress and would be completed by December 2025.

#### Implementation plan for the fifth and final tranche of stage II of the HCFC phase-out management plan

26. The Secretariat notes with appreciation that the Government, with the assistance of the implementing agencies, has continued to achieve progress despite the difficulties encountered during the implementation of stage II of the HPMP, and that the activities planned and the funds requested for the last tranche will be used to finalize these ongoing activities. Noting that there are still several conversion and technical assistance activities ongoing in the manufacturing and the refrigeration servicing sectors, the Secretariat recommends that UNDP provides a progress report on the implementation of the last tranche of stage II of the HPMP to the 97<sup>th</sup> meeting of the Executive Committee.

#### Gender policy implementation

27. In line with decisions 84/92(d) and 90/48(c) and following participation in the regional workshop on the Multilateral Fund gender mainstreaming policy held in 2021, the NOU and the PMU teams have incorporated the gender perspective into the implementation of all stage II activities. The PMU continues to encourage women's engagement in all aspects of project implementation, including work planning, advisory and decision-making functions, training, capacity building, and monitoring and evaluation. Sex-disaggregated data on the meeting and training attendees continues to be collected and gender-balanced recruitment of project personnel is ensured by following the relevant rules and procedures of UNDP. Training centres and trainers have received guidance and advice to encourage female participation. Going forward, the project has no dedicated funding for gender baseline assessment or for the implementation of

a gender action plan, but gender issues will be duly considered when developing additional outreach and training material.

#### Sustainability of the HCFC phase-out and assessment of risks

28. The customs continue to effectively control the borders and prevent the illegal import and export of ozone-depleting substances (ODSs). The ODS import quota set by the NOU and importers' compliance are reviewed internally on a quarterly basis, and on an annual basis at the time of consumption verification. Alternative technologies introduced under stage II are available on the local market at lower prices than HCFCs, disincentivizing illegal consumption. The challenges associated with project implementation, including travel restrictions and additional efforts required for the procurement, delivery and installation of equipment, are being addressed by identifying local enterprises that can assist in some of those tasks and by appointing national technical experts that can also help expedite implementation. The bans on the import and use of HCFC-141b pure or contained in pre-blended polyols by 1 July 2024 and on the use of HCFC-22 in the manufacturing of RAC equipment by 1 January 2026 will support the sustainability of ongoing conversions to low-GWP alternative technologies in the PU foam and commercial refrigeration sectors. In the servicing sector, UNEP has provided assistance in updating the regular customs' training curriculum to include Montreal Protocol content, and the regular TVTO RAC curricula and syllabi to include good servicing practices in the safe handling of flammable refrigerants. UNEP also continues to assist the Government in strengthening its ODS licensing and quota system by strengthening the requirements to apply for permits and ensuring that the system provides the NOU with real-time data.

#### Conclusion

29. The Government of the Islamic Republic of Iran continues to comply with its HCFC consumption targets for 2022 and 2023, as corroborated by the independent verification report. Despite the economic downturn and the transfer of the Government of Germany component to UNDP amidst stage implementation, the country with the implementing agencies' assistance have continued to progress in the conversion of commercial refrigeration and PU foam enterprises, although with some delays. UNIDO will not request its last tranche, amounting to US \$521,683, as all eligible PU foam enterprises are being assisted with previously approved funds, and the remaining enterprises are either not eligible or do not require assistance. The ban on the import and use of HCFC-141b pure or contained in pre-blended polyols will enter into force on 1 July 2024, and the ban on the use of HCFC-22 in the manufacturing of RAC equipment has been postponed to 1 January 2026 to allow for the completion of the commercial refrigeration project. The country has also continued to advance in the implementation of activities in the refrigeration servicing sector. The bilateral and implementing agencies have met the 20 per cent disbursement threshold for the previous tranche, disbursing 68.7 per cent of the funds approved overall.

#### **RECOMMENDATION**

30. The Executive Committee may wish to consider:

- (a) Noting:
  - (i) The progress report on the implementation of the fourth tranche of stage II of the HCFC phase-out management plan (HPMP) for the Islamic Republic of Iran;
  - (ii) That US \$521,638, plus agency support cost of US \$36,515 for UNIDO, associated with its last funding tranche, will not be requested;
  - (iii) The return of US \$50,600 plus agency support cost of US \$3,542, from UNIDO to the Multilateral Fund, due to the withdrawal of two spray foam enterprises (Tejarat Aftab and Akia Duetch) from the HPMP;

- (iv) That the Fund Secretariat has updated the Agreement between the Government of the Islamic Republic of Iran and the Executive Committee, as contained in annex I to the present document, specifically: Appendix 2-A, based on the request to remove the last funding tranche for UNIDO referred to in subparagraph (a)(ii) above; and paragraph 17, which has been modified to indicate that this revised updated Agreement supersedes that reached at the 92<sup>nd</sup> meeting;
- (b) Requesting UNDP, UNEP, UNIDO and the Government of Italy to submit:
  - (i) Progress reports on the implementation of their work programmes associated with the final tranche to the 97<sup>th</sup> meeting and project completion reports to the second meeting of the Executive Committee in 2026;
  - (ii) As part of the progress reports referred to in subparagraph (b)(i), detailed reports on the status of conversion of each of the foam projects under stage II, including their financial viability, current level of HCFC-141b consumption, alternative technologies selected, total funding provided by the Multilateral Fund and the level of co-financing, as applicable, in line with decisions 84/74(c) and 90/45(b); and
- (c) Approving the fifth and final tranche of stage II of the HPMP for the Islamic Republic of Iran, and the corresponding 2024—2025 tranche implementation plan, in the amount of US \$518,910, consisting of US \$337,860, plus agency support costs of US \$23,650, for UNDP, and US \$140,000, plus agency support costs of US \$17,400, for UNEP.

Annex I

**TEXT TO BE INCLUDED IN THE REVISED UPDATED AGREEMENT  
BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN  
AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND  
FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS  
IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN**

17. This revised updated Agreement supersedes the revised Agreement reached between the Government of the Islamic Republic of Iran and the Executive Committee at the 92<sup>nd</sup> meeting of the Executive Committee.

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

Row	Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	342.4	342.4	342.4	342.4	247.33	247.33	247.33	247.33	247.33	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	342.45	342.45	266.35	266.35	247.33	247.33	247.33	95.13	95.13	n/a	
2.1	Lead IA (UNDP) agreed funding (US \$)	1,298,170	0	1,593,980	0	1,307,980	0	1,268,103	0	337,860	5,806,093	
2.2	Support costs for Lead IA (US \$)	90,872	0	111,579	0	91,559	0	88,767	0	23,650	406,427	
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	473,567	0	584,000	0	524,000	0	0	0	0	1,581,567	
2.4	Support costs for Cooperating IA (US \$)	33,150	0	40,880	0	36,680	0	0	0	0	110,710	
2.5	Cooperating IA (UNEP) agreed funding (US \$)	200,000	0	190,000	0	170,000	0	0	0	140,000	700,000	
2.6	Support costs for Cooperating IA (US \$)	24,857	0	23,614	0	21,129	0	0	0	17,400	87,000	
2.7	Cooperating IA (Germany) agreed funding (US \$)	645,500	0	954,018	0	139,754	0	32,400	0	0	1,771,672	
2.8	Support costs for Cooperating IA (US \$)	73,420	0	111,723	0	16,176	0	3,685	0	0	205,004	
2.9	Cooperating IA (Italy) agreed funding (US \$)	403,203	0	504,004	0	0	0	0	0	0	907,207	
2.1	Support costs for Cooperating IA (US \$)	48,797	0	60,996	0	0	0	0	0	0	109,793	
3.1	Total agreed funding (US \$)	3,020,440	0	3,286,002	0	2,141,734	0	1,300,503	0	477,860	10,766,539	
3.2	Total support costs (US \$)	271,096	0	348,792	0	165,544	0	92,452	0	41,050	918,934	
3.3	Total agreed costs (US \$)	3,291,536	0	4,174,794	0	2,307,278	0	1,392,955	0	518,910	11,685,473	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											71.27
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)											38.6
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											53.73
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)											91.1
4.2.2	Phase-out of HCFC-141b to be achieved in the previous stage (ODP tonnes)											125.8
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)											0.0