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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fourth Meeting
Montreal, 25-29 July 2011

PROJECT PROPOSAL: SAINT VINCENT AND THE GRENADINES

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

Phase-out

- HCFC phase-out management plan (first tranche)

UNEP and
UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Saint Vincent and the Grenadines

(I) PROJECT TITLE	AGENCY
HPMP	UNEP (lead), UNIDO

(II) LATEST ARTICLE 7 DATA	Year: 2009	0.4 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP							Year: 2010		
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC22					0.2				0.2

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 estimated baseline:	0.3	Starting point for sustained aggregate reductions:	0.3
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	0.0

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.0		0.0								0.0
	Funding (US \$)	103,269	0	82,616	0	0	0	0	0	0	0	185,885

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025	Total
Montreal Protocol consumption limits			n/a	n/a	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.25	0.25	0.23	0.18	0.18	0.06	0.06	0.007	0.00	
Project Costs requested in principle (US \$)	UNEP	Project costs	110,843				187,966					46,991		345,800
		Support costs	14,410				24,436					6,109		44,954
	UNIDO	Project costs	124,115											124,115
		Support costs	11,170											
Total project costs requested in principle (US \$)			234,958	0	0	0	187,966	0	0	0	0	46,991	0	469,915
Total support costs requested in principle (US \$)			25,580	0	0	0	24,436	0	0	0	0	6,109	0	56,125
Total funds requested in principle (US \$)			260,538	0	0	0	212,402	0	0	0	0	53,100	0	526,040

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNEP	110,843	14,410
UNIDO	124,115	11,170

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	For individual consideration.

PROJECT DESCRIPTION

1. On behalf of the Government of Saint Vincent and the Grenadines UNEP, as the lead implementing agency, has submitted to the 64th Meeting of the Executive Committee an HCFC phase-out management plan (HPMP) at a total cost, as originally submitted, of US \$553,250 plus agency support costs for UNEP and cooperating agency (to be determined) for full implementation of the HPMP. The HPMP covers strategies and activities to phase out 97.5 per cent in HCFC consumption by 2020 with a 2.5 per cent servicing tail until 2025.

2. The first tranche for the HPMP being requested at this meeting amounts to US \$300,000 plus agency support costs for UNEP and the cooperating agency, as originally submitted.

Background

ODS regulations

3. The Ministry of Health, Wellness and the Environment is the national body responsible for the implementation of the Montreal Protocol in Saint Vincent and the Grenadines. The National Ozone Unit (NOU) was established within the Ministry as a focal point for coordinating and implementing activities in relation to the phase-out of ozone depleting substances (ODS) and for meeting reporting requirements. The Government of Saint Vincent and the Grenadines passed the Montreal Protocol (Substances that Deplete the Ozone Layer) (Control) Regulations, statutory Rules and Orders 2005 No. 14 which, *inter alia*, controls the import and export of all ODS including HCFCs. The regulations stipulate that all ODS importers must obtain an import license in order to import ODS into the country. The import license is issued by the NOU to each importer and renewed yearly. The existing regulations are being assessed for further amendments to include a quota system and other policy components to enable the country to meet the Montreal Protocol control targets.

HCFC consumption

4. All of the HCFCs used in Saint Vincent and the Grenadines are imported as the country does not have any HCFC production capacity. The survey undertaken during the HPMP preparation showed that HCFC-22 accounted for 99 per cent of the total HCFC consumption and was used predominantly in the refrigeration servicing sector. A negligible quantity of HCFC-142b and HCFC-124 was also consumed as refrigerant blends R-409 and R-408 (0.004 ODP tonne in total). In 2009, the total refrigerant consumption in Saint Vincent and the Grenadines was 8.9 metric tonnes (mt). Of this total amount, HCFC-22 accounted for 7.3 mt (0.4 ODP tonne), or 82 per cent. The HCFC consumption data obtained from the survey is largely consistent with the Article 7 data. Table 1 shows the level of HCFC consumption in Saint Vincent and the Grenadines.

Table 1: HCFC level of consumption

Year	Article 7 data (tonnes)		Survey data (tonnes)	
	metric	ODP	metric	ODP
2006	20.80	1.14	20.80	1.14
2007	0.55	0.03	0.59	0.03
2008	1.91	0.11	1.91	0.10
2009	7.45	0.41	7.34	0.40

5. HCFC-22 is the least expensive refrigerants available in Saint Vincent and the Grenadines. Only a small amount of HFC-based refrigerants is being imported and used for servicing new equipment. The price gap between HCFC-22 and HFC-based refrigerants is significant. This is a major factor that hinders a broader use of HFC-based equipment. Hydrocarbon refrigerants are not readily available in the country.

Sectoral distribution of HCFCs

6. The survey undertaken covered all HCFC importers and representative servicing workshops. The survey data gave the number and type of equipment installed and the amount of HCFCs required to service the equipment. The total number of refrigeration and air-conditioning units installed in the country using HCFC-22 was estimated at 31,301 units in 2009. The average charge for different types of equipment was estimated and used to calculate the total installed capacity. The average leakage rate was estimated at 25 per cent. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector based on the 2009 survey

Sector	Number of units	Installed capacity (tonnes)		Service demand (tonnes)	
		metric	ODP	metric	ODP
Air conditioners	31,233	31.24	1.72	7.82	0.43
Chillers	24	0.55	0.03	0.14	0.01
Commercial refrigeration	44	0.92	0.05	0.27	0.02
Total	31,301	32.71	1.80	8.23	0.45

Estimated baseline for HCFC consumption

7. The estimated baseline is calculated as 5.13 mt (0.28 ODP tonnes) using the average of 2009 consumption of 7.45 mt (0.41 ODP tonnes) reported under Article 7 and the actual imports of 2.81 mt (0.15 ODP tonnes) for 2010. In line with decision 60/44(e), the estimated baseline will be adjusted accordingly when the actual consumption in 2010 is formally reported.

Forecast of future HCFC consumption

8. HCFC imports into Saint Vincent and the Grenadines have been fluctuating, but showed an overall increasing trend. This is attributed to economic growth, development in the tourism industry, increased hot and humid climate conditions and cheaper price of air-conditioning units. From 2007 to 2009, the import of HCFC-based equipment has increased by 58 per cent. The import is expected to continue growing which would increase the demand for HCFCs. Saint Vincent and the Grenadines projected its future HCFC consumption based on the estimated needs for servicing equipment and charging for new installations. Under the unconstrained scenario, the consumption is expected to grow 13 per cent annually, and through the constrained scenario, the forecast consumption will follow the proposed accelerated phase-out schedule. Table 3 below provides a summary of the HCFC consumption forecast in Saint Vincent and the Grenadines.

Table 3: Forecast of consumption of HCFCs

		2009*	2010**	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Constrained HCFC consumption	MT	7.45	2.81	3.18	5.13	4.62	4.62	4.1	3.33	3.33	1.67	1.67	0.13	0.00
	ODP	0.41	0.15	0.17	0.28	0.23	0.23	0.18	0.18	0.18	0.09	0.09	0.01	0.00
Unconstrained HCFC consumption	MT	7.45	2.81	3.18	3.61	4.09	4.64	5.26	5.97	6.78	7.69	8.73	9.91	11.20
	ODP	0.41	0.15	0.17	0.20	0.22	0.26	0.29	0.33	0.37	0.42	0.48	0.55	0.62

*actual reported Article 7 data

**actual import in 2010 submitted in the country programme report

HCFC phase-out strategy

9. The Government of Saint Vincent and the Grenadines is proposing a single-stage approach to achieve complete phase out of HCFCs by 2020 with a 2.5 per cent servicing tail to 2025. The strategy for phasing out HCFCs earlier than the Montreal Protocol schedule was developed based on a broad consultation with stakeholders. Saint Vincent and the Grenadines, as a small island developing state, is aware of the potential impacts of climate change that can be negative on its socio-economic development, and is keen to mitigate this through earlier phase-out of HCFC-22 and reducing emission of other greenhouse gases. In addition, the success achieved during CFC phase-out (two years earlier than Montreal Protocol schedule) has given the country great confidence. Therefore it decided to pursue an accelerated HCFC phase-out schedule as shown in Table 4.

Table 4: Proposed HCFC phase-out schedule

Date	Proposed accelerated phase-out schedule	Montreal Protocol phase-out schedule
1 January 2012	Freeze at baseline level	-
1 January 2013	10 per cent reduction	Freeze at baseline level
1 January 2015	20 per cent reduction	10 per cent reduction
1 January 2016	35 per cent reduction	-
1 January 2018	67.5 per cent reduction	-
1 January 2020	97.5 per cent reduction	35 per cent reduction
1 January 2025	100 per cent full phase-out	67.5 per cent reduction
1 January 2030	-	97.5 per cent reduction
1 January 2040	-	100 per cent full phase-out

10. Saint Vincent and the Grenadines proposes to achieve the full phase-out of HCFCs by 2025 through implementing both investment and non-investment activities. The country will pursue long-term emission mitigation by promoting low global-warming-potential (GWP) non-HCFC refrigerants. A demonstration project is proposed to retrofit a government and a private building to low GWP hydrocarbon refrigerants. The energy consumption in the retrofitted buildings will be monitored, allowing assessment and further improvement. It is expected that the project will provide a physical demonstration for what could be achieved through retrofitting. With the expected positive results from the demonstration, the equipment owners and other stakeholders will recognize the advantages and benefits of retrofitting and reduce the use of HCFCs. However, although Saint Vincent and the Grenadines will promote the use of low GWP hydrocarbon refrigerants, given the fact that the country purely depends on imports of equipment and refrigerant from international markets, it is likely that all kinds of non-HCFC refrigerants would be used to replace HCFCs.

11. Saint Vincent and the Grenadines will apply policy instruments, such as a green tax and incentive schemes, to support the efforts for HCFC phase-out. It will also reduce the demand for HCFCs and therefore emissions through refrigerant recovery, reuse and retrofit, and by training of technicians and providing tools to facilitate good servicing practice. The Government will reinforce the licensing and quota systems to ensure that the imports of HCFCs are controlled according to the accelerated phase-out schedule. A summary of activities and proposed implementation period is shown in Table 5.

Table 5: Specific activities of the HPMP and proposed period of implementation

Description of activities	Implementation schedule
Training of technicians on good practice, recovery and re-use and retrofit to hydrocarbon refrigerants, training of importers on handling of hydrocarbon refrigerants	2012-2020
Provision of tools and equipment for good practice, refrigerant recovery and reuse	2012-2015
Training of customs and enforcement officers, training of technicians on new regulations	2012-2020
Public education, communication, and awareness campaign	2011 - 2020
Tax policy, regulation amendment for quota system, licensing for HCFC-based equipment, safety standard for hydrocarbon refrigerants	2011 - 2020
Demonstration project for retrofitting to hydrocarbon refrigerants, provision of conversion kits	2012 - 2015
Project monitoring, coordination and reporting.	2011 - 2020

Cost of the HPMP

12. The total cost of the HPMP for Saint Vincent and the Grenadines has been estimated at US \$553,250 for full implementation of the HPMP. The detailed cost breakdown is shown in Table 6.

Table 6: Total cost of the HPMP

Project component	Cost (US \$)		Total (US \$)
	UNEP	Co-operating agency	
Training of technicians on good practice and retrofit, handling of hydrocarbon refrigerants	88,000	-	88,000
Provision of tools and equipment	-	135,000	135,000
Training of customs officers and technicians on new regulations	46,000	-	46,000
Public education, communication, and awareness campaign	68,000	-	68,000
Policy, regulation and standard	48,000	-	48,000
Demonstration project for conversion to hydrocarbon refrigerants	120,250	-	120,250
Project monitoring, coordination and reporting	48,000	-	48,000
Total	418,250	135,000	553,250

SECRETARIAT COMMENTS AND RECOMMENDATION

COMMENTS

13. The Secretariat reviewed the HPMP for Saint Vincent and the Grenadines in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs and the 2011-2014 business plan of the Multilateral Fund.

Overarching strategy

14. The Secretariat considered the proposed strategy of completely phasing out HCFCs earlier than Montreal Protocol schedule in light of decision 60/15 and the subsequent decision 62/10. It raised questions related to the national commitment, achievability and sustainability of the accelerated phase-out.

15. UNEP indicated that Saint Vincent and the Grenadines is highly committed to the accelerated phase-out of HCFCs and reducing greenhouse gas emission. According to UNEP, the phase-out of HCFC-22 will not only reduce the ozone-depleting potential but also assist the country to reduce carbon emission due to the reduced emission of HCFC-22 and the potential energy efficiency gains from retrofitting to certain alternatives. The accelerated phase-out has also advantages for the tourism industry, because the use of low GWP alternatives, as a green initiative, will improve the country's public image. Ongoing consultations with key Ministries further showed that the Government strongly supports a HCFC-free environment and plans to apply policy leverage to assist the phase-out of HCFCs and promote the use of low GWP alternatives.

16. In response to the achievability of the accelerated phase-out, UNEP further advised that Saint Vincent and the Grenadines achieved a complete phase-out of CFCs two years earlier than the Montreal Protocol schedule. This was in part possible due to the small population of 107,000 inhabitants, resulting in only a small number of stakeholders in the phase-out. The country believes that the capacity for implementing such accelerated HCFC phase-out exists. The technicians had already received some training on good practices and retrofitting to alternative refrigerants during CFC phase-out. The experience gained and lessons learned will be applied to HCFC phase-out. In order to curb the fast growing demands for HCFCs and to achieve the freeze at the baseline level in 2012, the Government will strengthen licensing and quota system on HCFC imports and apply a ban on the imports of HCFC-based equipment starting from 2012.

17. In response to the sustainability of the phase-out and large price gap between HCFC-22 and non-HCFC refrigerants, UNEP advised that Saint Vincent and the Grenadines will strengthen licensing and quota system to control the import of HCFCs. Although the price gap between the HCFC-22 and non-HCFC refrigerants is large at this moment, it is expected that the cost of non-HCFC-based equipment and refrigerants will decrease significantly as their imports and competition among importers increase.

18. Since Saint Vincent and the Grenadine is a low-volume-consuming (LVC) country with a very low level of estimated baseline consumption of 5.13 mt (0.28 ODP tonne), a limited number of stakeholders (technicians, importers, equipment owners) making the accelerated phase-out feasible. At the same time, the implementation of the HPMP over a shorter period would facilitate its efficient utilisation of limited funding and achieve economies of scale in line with decision 60/15 through a concentrated implementation of activities and a reduced overall support costs. Finally due to the focus of the activities on emission reduction and low GWP alternatives, the positive impact on the climate is likely to be significant in comparison to the baseline scenario.

Starting point for aggregate reduction in HCFC consumption

19. The Government of Saint Vincent and the Grenadines agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average of actual reported consumption of 7.45 mt (0.41 ODP tonne) in 2009 and the actual import of 2.81 mt (0.15 ODP tonne) in 2010 reported under the country programme, which results in 5.13 mt (0.28 ODP tonne). This is consistent with the value shown in the business plan.

Technical and cost issues

20. The Secretariat raised concerns on the cost of training of technicians at US \$600 per technician, which is substantially higher than is common considering that training on general skills in good practice was already provided during CFC phase-out. In view of the Secretariat's concerns, UNEP reduced this cost to US \$250 per technician. The Secretariat further queried about the time frames of 2013 to 2015 planned for purchasing equipment, while the campaign for recovery and reuse was planned for 2012 to 2015. Considering the time required for the procurement process, the equipment might not be available during the campaign. UNEP took the Secretariat's comment into consideration and adjusted the timeframe for procurement of equipment to start immediately after the approval of the project.

21. The Secretariat queried the selection of a cooperating agency. UNEP consulted the Secretariat whether this can be done during the implementation stage. The Secretariat advised that the cooperating agency needs to be selected before the approval of the HPMP to ensure that the activities to be carried out by the cooperating agency are implementable. At the final stage of the project review, the country chose UNIDO as the cooperating agency.

22. The Secretariat further advised that the total requested funding of US \$553,250 as originally submitted exceeds the eligible funding of US \$470,000 for the country. Taking this into consideration the total requested funding was adjusted to US \$469,915. The funding tranche distribution was also adjusted.

23. In line with decision 60/44, the total funding for Saint Vincent and the Grenadines HPMP was agreed at US \$469,915 to completely phase out HCFC consumption by 2020 with a 2.5 per cent servicing tail to 2025. The detailed cost breakdown is shown in Table 7.

Table 7: Agreed level of funding of the HPMP

Project component	Cost (US \$)		Total (US \$)
	UNEP	UNIDO	
Training of technicians on good practice and retrofit, handling of hydrocarbon refrigerants	48,000	-	48,000
Provision of tools and equipment	-	124,115	124,115
Training of customs officers and technicians on new regulations	39,000	-	39,000
Public education, communication, and awareness campaign	68,000	-	68,000
Policy, regulation and standard	43,000	-	43,000
Demonstration project for conversion to hydrocarbon refrigerants	99,800	-	99,800
Project monitoring, coordination and reporting	48,000	-	48,000
Total	345,800	124,115	469,915

Impact on the climate

24. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme (kg) of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO₂-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Saint Vincent and the Grenadines, in particular training of technicians on good practice, retrofitting and replacing existing

equipment with hydrocarbon refrigerants, and the strategy of accelerated phase-out indicate that it is likely that the country will surpass the 39.5 CO₂-equivalent tonnes that would not be emitted into the atmosphere as estimated in the 2011-2014 business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

Co-financing

25. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, UNEP explained that Saint Vincent and the Grenadines has not identified resource for co-financing at this stage. However, the Government will continue to explore other opportunities of co-financing during the implementation of the HPMP.

2011-2014 business plan of the Multilateral Fund

26. UNEP and UNIDO are requesting US \$469,915 plus support costs for the full implementation of the HPMP following an accelerated phase-out schedule. The total value requested for the period 2011-2014 of US \$260,538 including support costs is above the total amount of US \$185,900 in the business plan. This is because the country is pursuing an accelerated phase-out. The tonnage to be phased out is higher than that planned in the business plan for this period.

27. Based on the estimated baseline consumption of 5.13 mt in the servicing sector, Saint Vincent and the Grenadines' eligible allocation for complete phase-out by 2020 should be US \$470,000 in line with decisions 60/44 and 62/10.

Monitoring and coordination

28. Project monitoring and coordination of activities are planned to take place throughout the implementation period. The NOU will be fully responsible for coordinating activities and monitoring the implementation. Reporting on the progress made during the implementation will be also carried out by the NOU with support from UNEP.

Draft Agreement

29. A draft Agreement between the Government of Saint Vincent and the Grenadines and the Executive Committee for HCFC phase out is contained in Annex I to the present document.

RECOMMENDATION

30. The Executive Committee may wish to consider:

- (a) Approving, in principle, the HCFC phase-out management plan (HPMP) for Saint Vincent and the Grenadines for the period 2011 to 2020, at the amount of US \$526,040, consisting of US \$345,800, plus agency support costs of US \$44,954 for UNEP, and US \$124,115, plus agency support costs of US \$11,170 for UNIDO on the understanding that no more funds will be eligible for HCFC phase-out in the country after 2020;

- (b) Noting that the Government of Saint Vincent and the Grenadines had agreed to establish an estimated baseline of 0.3 ODP tonne as its starting point for sustained aggregate reduction in HCFC consumption, calculated using actual consumption of 0.4 ODP tonne reported for 2009 and consumption of 0.2 ODP tonne estimated for 2010;
- (c) Approving the draft Agreement between the Government of Saint Vincent and the Grenadines and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted; and
- (e) Approving the first tranche of stage I of the HPMP for Saint Vincent and the Grenadines, and the corresponding implementation plan, at the amount of US \$260,538, consisting of US \$110,843, plus agency support costs of US \$14,410 for UNEP, and US \$124,115, plus agency support costs of US \$11,170 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF SAINT VINCENT AND THE GRENADINES AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Saint Vincent and the Grenadines (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 0.007 ODP tonnes prior to 1 January 2020 and zero ODP tonnes prior to 1 January 2025 in compliance with the Montreal Protocol schedules, with the understanding that this figure is to be revised one single time, once the baseline consumption for compliance has been established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.
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 which exceeds the level defined in row 1.2 of Appendix 2-A (“Maximum allowable total consumption of Annex C, Group I Substances”) 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 which exceeds the level defined in row 4.1.3 (remaining eligible consumption).
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 (“The Targets, and Funding”) 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. 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 (“The Targets, and Funding”) of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted annual implementation reports in the form of Appendix 4-A (“Format of 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;

- (d) That the Country has submitted and received approval from the Executive Committee for an annual implementation plan in the form of Appendix 4-A (“Format of Implementation Reports and Plans”) 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; and
- (e) That, for all submissions from the 68th Meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

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 annual implementation plans in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 4 above.

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the 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 in an annual implementation plan and approved by the Executive Committee as described in sub paragraph 5(d) above. Major changes would relate to issues potentially concerning the rules and policies of the Multilateral Fund; changes which would modify any clause of this Agreement; changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and provision of funding for programmes or activities not included in the current endorsed annual implementation plan, or removal of an activity in the annual implementation plan, with a cost greater than 30 per cent of the total cost of the tranche;
- (b) Reallocations not categorized as major changes may be incorporated in the approved annual implementation plan, under implementation at the time, and reported to the Executive Committee in the annual implementation report; and
- (c) Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, 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 the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

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

10. The Lead IA will be responsible for carrying out the activities of the overall plan with the changes approved as part of the subsequent submissions, including but not limited to independent verification as per sub paragraph 5(b). This responsibility includes the necessity to co-ordinate with the Cooperating IA to ensure appropriate timing and sequence of activities in the implementation. The Cooperating IA will support the Lead IA by implementing the activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and Cooperating IA have reached consensus on the arrangements regarding inter-agency planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co ordination meetings. The Executive Committee agrees; in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 2.2 and 2.4 of Appendix 2-A.

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 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 these decisions are taken, this specific case will not be an impediment 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 decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee, the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion 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 continue until the time of the completion if not specified by the Executive Committee otherwise.

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.

APPENDICES

APPENDIX 1-A: SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC -22	C	I	0.28

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	0.25	0.25	0.23	0.18	0.18	0.06	0.06	0.007	0.00	n/a
2.1	Lead IA UNEP agreed funding (US \$)	110,843				187,966					46,991		345,800
2.2	Support costs for Lead IA (US \$)	14,410				24,436					6,109		44,954
2.3	Cooperating IA UNIDO agreed funding (US \$)	124,115				0					0		124,115
2.4	Support cost for Cooperating IA (US \$)	11,170				0					0		11,170
3.1	Total agreed funding (US \$)	234,958				187,966					46,991		469,915
3.2	Total support cost (US \$)	25,580				24,436					6,109		56,125
3.3	Total agreed cost (US \$)	260,538				212,402					53,100		526,040
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)												0.28
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												n/a
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												0.00

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the first meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF IMPLEMENTATION REPORTS AND PLANS

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

- (a) A narrative report regarding the progress since the approval of the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the Country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, 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. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;
- (b) A verification report of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, 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 until the planned submission of the next tranche request, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub paragraph 1(a) above) and the plan (see sub paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the Country and the Lead IA; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit (NOU) will monitor all activities in the HPMP. This institute will submit annual progress reports of status of implementation of the HPMP through the NOU to UNEP.
2. Verification of the achievement of the performance targets, specified in the Plan, will be undertaken, by an independent local company or independent local consultants contracted by UNEP.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include at least the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
 - (b) Assisting the Country in preparation of the Implementation Plans and subsequent reports as per Appendix 4-A;
 - (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the 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 annual implementation plans consistent with sub paragraphs 1(c) and 1(d) of Appendix 4-A;
 - (e) Fulfilling the reporting requirements for the annual implementation reports, annual implementation plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
 - (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
 - (g) Carrying out required supervision missions;
 - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Implementation Plan and accurate data reporting;
 - (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
 - (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 and the Cooperating IA, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
 - (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
 - (l) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub paragraph 5(b) of the Agreement and sub paragraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the overall plan further, but include at least the following:

- (a) Providing policy development assistance when required;
- (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per 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 \$180 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.
