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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-ninth Meeting
Montreal, 10-14 July 2006

PROJECT PROPOSAL: TUNISIA

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

Phase-out

- National ODS phase-out plan

WORLD BANK

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

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**PROJECT EVALUATION SHEET
TUNISIA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National ODS Phase-out Plan	World Bank
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NATIONAL CO-ORDINATING AGENCY

L'Agence nationale de protection de l'environnement (ANPE)

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, SEPTEMBER 2005)**

Annex, A Group I	271	Annex B, Group II	0.4
Annex A Group II	42	Annex E, MBr	10.2

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF AUGUST 2005)

ODS Name	Refrigeration	Foam	Fire Protection	Solvent	Total
CFC-11		101			101
CFC-12	170				170
Halons			42		42
CTC				0.4	0.4
Total	170	101	42	0.4	313.4
CFC consumption remaining eligible for funding (ODP tonnes)					157.6 ODP tonnes

CURRENT YEAR BUSINESS PLAN: Total funding US \$1,711,800 (support cost not included)

PROJECT DATA		2004*	2005	2006	2007	2008	2009	2010	Total
Annex A Group I (ODP tonnes)	Montreal Protocol limits	870.1	435.05	435.05	130.50	130.50	130.50	0.0	435.05
	Annual consumption limit	N/A	N/A	300.0	130.5	130.5	130.5	0.0	300.0
	Annual phase-out newly addressed	N/A	N/A	169.5	0	0	130.5	N/A	300.0
Annex A Group II (ODP tonnes)	Montreal Protocol limits	104.3	52.15	52.15	52.15	52.15	52.15	0.0	N/A
	Annual consumption limit	N/A	N/A	42.000	42.000	42,000	42,000	0.0	42.0
	Annual phase-out newly addressed	N/A	N/A	0	0	0	42.000	N/A	42.0
TOTAL ODS CONSUMPTION TO BE PHASED OUT				169.5	0	0	172.5	N/A	342
Project costs (US \$):									
Funding for World Bank		0	0	790,000	0	345,395	0	0	1,135,395
Total project funding		0	0	790,000	0	345,390	0	0	1,135,395
Support costs (US \$)									
Support cost for World Bank				59,250	0	25,905	0	0	85,155
Total support costs				59,250	0	25,905	0	0	85,155
TOTAL COST TO MULTILATERAL FUND (US \$)				849,250	0	371,300	0	0	1,220,550
Project cost effectiveness (US \$/kg)									7.2

FUNDING REQUEST:

Approval in principle of the national ODS phase-out plan and its total project funding, and approval of funding for the first tranche (2006) as indicated above.

Secretariat's Recommendations	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Tunisia, the World Bank has submitted a National CFC Phase-out Plan (NPP) at a total cost of US \$1,135,395 plus agency support costs of US \$85,155 for consideration by the Executive Committee at its 49th Meeting. This request is accompanied by a draft agreement and a request for approval of the first tranche amounting to US \$790,000 plus agency support cost of US \$59,250. The implementation of the plan will lead to the phase-out of the remaining consumption of Annex A, Group I substances (CFCs) in the aerosol, foam manufacturing and the refrigeration servicing sector. The NPP will also address the issue of introducing non-CFC metered dose inhalers (MDI) into Tunisia. Tunisia is one of a few Article 5 countries with halon imports, therefore a technical assistance programme is included for the halon sector to assist the industry and the critical users.

2. Funding support has also been requested to address the growing HCFC consumption, especially in the refrigeration sector.

Background

ODS consumption

3. Tunisia was one of the countries to receive early financial assistance from the Multilateral Fund for the development of a country programme and the development of a national strategy for phasing out the use of ODS. The Executive Committee approved the Tunisia country programme at its 19th meeting in May 1996. As of 31 December 2004, there have been 35 completed investment projects that have brought about a reduction in consumption of 1,020.4 ODP tonnes of CFC-11 and CFC-12 with breakdown presented in the following table.

Sector	Projects Funded by the MLF	Tonnes of CFC 11 Eliminated	Tonnes of CFC 12 Eliminated	Total CFCs	Costs \$ US
Refrigeration Domestic & Commercial	15	123	76.8	199.8	\$1,774,661
Foams	12	475.4	0	475.4	\$2,438,212
Aerosols	8	74.5	228.7	303.2	\$1,059,704
Training	1	0	42.0	42.0	\$1,119,367
Totals	36	672.9	347.5	1020.4	\$6,391,944.00

4. On the basis of Decision 35/57 the remaining CFC consumption eligible for funding amounted to 157.6 ODP tonnes. In addition, the NPP will address the halon sector with a consumption of 42 ODP tonnes.

5. The historical record of ODS consumption in Tunisia is presented in the following table in ODP tonnes.

	1995 (ODP tonnes)	1996 (ODP tonnes)	1997 (ODP tonnes)	1998 (ODP tonnes)	1999 (ODP tonnes)	2000 (ODP tonnes)	2001 (ODP tonnes)	2002 (ODP tonnes)	2003 (ODP tonnes)	2004 (ODP tonnes)
CFC	758.0	882.0	970.2	790.6	566.0	555.0	570.0	465.8	362.5	271
CTC	5.5	1.1	2.2	4.4	3.3	1.1	1.1	1.1	0.9	0.4
Halons	32.0	116.0	165.0	160.0	150.0	42.0	45.0	45.0	42.0	42.0

	1995 (ODP tonnes)	1996 (ODP tonnes)	1997 (ODP tonnes)	1998 (ODP tonnes)	1999 (ODP tonnes)	2000 (ODP tonnes)	2001 (ODP tonnes)	2002 (ODP tonnes)	2003 (ODP tonnes)	2004 (ODP tonnes)
MBr	12.0	4.8	9.0	7.2	7.8	10.8	11.4	10.8	10.2	10.2
TCA	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0

6. The Government of Tunisia reported 2004 ODS consumption data with a breakdown for industrial applications as part of reporting on the implementation of Tunisia's country programme. In 2004, the remaining CFC consumption was related to the foam (101 ODP tonnes) and refrigeration servicing sectors (170 ODP tonnes). Other ODS consumption was taking place in the solvent sector (0.44 ODP tonnes of CTC), in the fire-fighting sector (42 ODP tonnes) of halon 1211 and methyl bromide for quarantine and pre-shipment applications (10.2 ODP tonnes).

7. In 2004, there was no reported CFC consumption in the aerosol sector. It is estimated, however, that some minor residual consumption still exists (in the order of 10 ODP tonnes) used by small aerosol fillers. Also, due to the lack of availability of substitute products, metered dose inhalers (MDI) are not on the list of ODS-containing products prohibited in Tunisia. All MDIs used in Tunisia are imported. Based on preliminary information, the present quantity used in Tunisia is in the order of 50,000 to 100,000 units per year.

8. All the projects approved by the Executive Committee in the foam sector have been completed. A survey has been conducted which identified 35 remaining CFC users in the foam sector. Information on CFC consumption by individual enterprise is not available. However, based on information from importers, it has been established that the CFC-11 demand from the sector is about 40 metric tonnes. It is proposed that the remaining companies be addressed through a technical assistance component providing information on alternative technologies, substitute formulation and trials.

9. About 82.5% of the total CFC consumption in 2004 is used in the refrigeration servicing sector.

10. In the domestic refrigeration sub-sector, the number of refrigerators currently in use in Tunisia is estimated to be approximately 2.5 million. Some 60-70% (1.5 million units) is estimated to be still using CFCs. The annual CFC demand for servicing those household refrigerators was estimated by Tunisia to be in the order of 50 to 60 tonnes of CFC-12 in 2004.

11. The servicing of unitary commercial refrigeration equipment is carried out by the manufacturers and by a large number of local independent service workshops. Based on recent surveys by UNIDO, it is estimated that over 2,250 such workshops exist in Tunisia and more than 3,600 people are working in the refrigeration servicing sector. Due to the early actions taken, no new commercial refrigeration equipment has been placed on the market since 2000. Hence the service demand is gradually going down. However, based on the existing 1991 baseline, production and sale of commercial refrigeration equipment and the normal average lifetime of such equipment, it is estimated that around 80,000 to 100,000 CFC-based commercial refrigerators still exist, with an annual service demand in the order of 65 to 80 tonnes of CFC-12 in 2004.

12. Larger commercial and industrial refrigeration systems in Tunisia are comprised of cold storage and food processing in fruit and vegetable sector and the dairy, meat and fishing industries, industrial refrigeration including gas processing and petroleum refineries, central

chillers for air conditioning in hotels, supermarkets, shopping malls, offices and hospitals. Based on information provided by the suppliers, installation of CFC based systems stopped during the period 1998 to 2000. After 2000 all new refrigeration systems are not CFC based. Due to the importance of the fishing industry to Tunisia, this sector is considered one of the critical areas both in terms of the need for a continuous supply of CFC for servicing and for retrofitting existing systems in order to reduce CFC consumption after 2007. The total CFC-12 demand for servicing in this sub-sector is estimated to be about 40 to 60 ODP tonnes

13. In transport refrigeration, refrigeration systems for trucks and containers are imported and installed in Tunisia. An estimated number of 700 to 900 CFC based refrigeration systems still exist in the sector and require maintenance and servicing. The estimated service demand is around 4 to 8 tonnes of CFC-12.

14. Regarding mobile air conditioning (MAC), the estimated number of cars in Tunisia as of 2004 was approximately 1 million. The best available estimates are that about 40% of the cars in 2004 were equipped with MAC systems resulting in about 100,000 CFC-based units. In addition to passenger cars, minibuses and buses are normally also equipped with MAC systems. It is estimated that the annual service demand might be in the order of 20 to 40 tonnes of CFC-12.

15. The total annual demand for refrigeration servicing is estimated to be about 220 ODP tonnes, and about 170 tonnes of CFCs were imported in 2004. The difference can be explained by the fact that each of the companies carry a stock of CFCs so the actual annual imports do not reflect the yearly use in the sector, but would have to be averaged out over a number of years.

16. In the halon sector, no investment or technical assistance projects for halon-1211 have been approved to date. The consumption of all 14 metric tonnes (42 ODP tonnes) of halon-1211 is in the servicing of existing systems installed in the oil and gas industry, military, civil aviation, shipping and in a number of private sector companies. The demand for halons will remain at the same level until the protected installations are retired or the halon fire protection systems are replaced. As replacement of existing systems will be very expensive and in many cases not technically feasible, it must be assumed that the halon fire protection systems will remain in service for the foreseeable future.

17. In the solvent sector, there is no current consumption of TCA. The CTC consumption remains very small at about 0.4 ODP tonnes (as per 2004 data). The only remaining use of CTC is for laboratory applications. There is one Tunisian importer of CTC which is "La Pharmacie Centrale".

18. In 2004, the consumption of methyl bromide (MeBr) was 17 metric tonnes or 10.2 ODP tonnes. The demonstration project on substitution of MeBr in horticultural applications in Tunisia was approved at the 24th Meeting of the Executive Committee in March 1998 with funding amounting to US \$301,730. Tunisia does not have any uses of MeBr other than for quarantine and pre-shipment applications associated with the export of dates. There are no satisfactory alternatives to MeBr use for high moisture dates at this time. Tunisia has been granted a two year exemption, as per decision XV/12 of the Parties to the Montreal Protocol, to allow time for the Technical and Economic Assessment Panel to investigate the technology options further. Methyl bromide consumption is therefore not addressed in this phase-out plan.

CFC and HCFC prices

19. CFC-12 currently sells in Tunisia for about US \$12.00 per kg, HCFC-134a for the same price and HCFC-22 for about US \$5.00 per kg. HCFC 141b is not sold alone in Tunisia but rather as a component in pre-blended polyols. Pre-blended Polyols, both with CFC-11 as well as with HCFC-141b are available for about US\$ 3.00/kg of blend.

Action Plan and Requested Funding

20. Tunisia is opting to proceed with an action plan to address the remaining phase-out of CFCs and halons. Methyl bromide is excluded due to the lack of alternatives and the exemption given by the Meeting of the Parties. The plan will be implemented over a four year period (2006-2010) with almost all of the work to be undertaken during the period 2006-2009. Tunisia wants to address HCFCs at this stage and is requesting funding to enhance its HCFC management and monitoring capacity. The total HCFC consumption in Tunisia is estimated to be 541.3 metric tonnes.

21. In the aerosol sector, CFC technical assistance and awareness raising initiatives will support the phase-out of 10 ODP tonnes of the remaining consumption. Tunisia is requesting funding of US\$ 60,500 to support the complete phase-out of ODS in the sector.

22. In the MDI sector, the change to non-CFC MDIs will be determined by the MDI suppliers since all MDIs are imported into Tunisia. In order to ensure a smooth transition to non-CFC MDIs, the suppliers will need to register their new products well in advance to facilitate a change over. Sufficient time is needed to allow users to be aware of the changes and to be properly informed. The financial support of US \$120,000 is requested to prepare and implement a transitional strategy in the MDI sector.

23. In the foam sector, 35 foam companies have been identified, which are still using CFC-11 in flexible, molded, rigid and spray foam applications. It has not yet been possible to complete the necessary detailed surveys on eligibility and detailed CFC-11 consumption uses by each of the companies. Therefore, funding is being requested for a technical assistance program to provide the required information on non-ODS substitutes and formulations and to conduct the necessary trials. Financial support of US\$ 121,000 is requested for this activity.

24. The refrigeration servicing sector remains the main CFC consuming sector in Tunisia. Around 50% of this consumption could be eliminated through better service practice. However, due to the lifetime of refrigeration equipment, there will still be a residual CFC-12 consumption of over 50 tonnes or more in 2009. Hence, recovery/recycling, retrofitting, conversion and premature retirement of refrigeration equipment might be needed in order to reduce the consumption to zero in 2010. Due to the structure of the service sector, which is very important to the social structure and to employment, all service shops will have to be assisted and provided training to handle CFC equipment in order to reduce CFC use during servicing and recharging as well as to be able to service non-CFC equipment that is now well established in the Tunisian market.

25. Recovery and recycling of CFCs is considered to be a major initiative to eliminate imports by 2010. The recovery and recycling equipment (94 machines) will be provided to the 39 larger domestic and commercial refrigeration manufacturers to ensure that CFCs from all larger refrigeration equipment and systems are recovered and reused when serviced and/or replaced.

Another batch of 15 recovery and recycling machines will be provided to 15 MAC service shops. The total cost of the requested recovery/recycling equipment is estimated to amount to US \$335,300.

26. Separate funding is envisaged for supplying the CFC importers with recycling and reclamation equipment so that CFCs can be recovered and reused in Tunisia through establishment of a reclamation centre. However, it is not possible to accommodate such an approach within the limited funding available in the NPP. Tunisia is requesting special consideration of this issue and the opportunity to come back to the Multilateral Fund in 2008 for additional funding pending the Executive Committee's decision on future policies in this regard.

27. Tunisia has three main institutes that are used for training personnel in the refrigeration servicing sector. The trainers have been trained in France, and to date about 600 technicians have been trained. Recognizing those still to be trained as well as the impact of normal staff turnover and attrition with those already trained, there is likely to remain about 3000 technicians to be trained. The cost of the training programme is estimated to be US \$375,000.

28. There is an estimated 2,000 smaller local refrigeration servicing shops, with about 2,500-3,000 workers. Servicing tools need to be provided to 500 service shops to enhance their capacity in good servicing practices in handling CFCs, HCFC-22 and HFC-134a as well as non-CFC-blend refrigerants. The anticipated cost for the smaller service shops will include basic servicing equipment estimated at a cost of US \$900 per workshop.

29. The chiller sector will be addressed under the global chiller project being implemented by the World Bank. No funding is requested under the NPP.

30. In the halon sector, funding amounting to US \$75,000 is requested to organize workshop and training in the fire protection industry, to provide technical assistance to critical users in the oil and gas industry and to purchase recovery and recycling equipment.

31. The Government of Tunisia wishes to strengthening its monitoring and management of HCFCs through the establishment of an HCFC database (registration of HCFC users) covering larger refrigeration systems and HCFC users in the foam sector. The aim will be to monitor the use and to provide advice on alternatives to HCFCs with a view to minimizing dependency on HCFCs. The intent is to eventually replace HCFCs with more environmentally friendly chemicals when so decided by the Parties to the Montreal Protocol. Funding of US \$75,000 is included in the requested budget.

32. Under the NPP project management component, the Government of Tunisia has indicated that additional support is needed to increase local capacity to implement the policy upgrades, strengthen management of project implementation, monitoring and implementation of the NPP and for awareness creating activities (in addition to activities carried out under the institutional strengthening project). Based on a 3 ½ year budget for two staff plus ad hoc consultants as needed, a total of US\$ 150,000 is requested for the project implementation unit.

33. Tunisia has approximately 15-20 boarder crossings and formal entry points. Tunisia, like many other countries has a rotational policy for its customs officers. It is therefore essential that training be provided to a broad range of customs officers from various locations. To retain the focus on the next 5 critical years of the phase-out programme, three training sessions are proposed during the period up to 2010. CFC detection equipment will be introduced and the

associated training also provided. The costs for these activities has been estimated to amount to US \$60,500.

34. Action plan and requested budget are summarized in the following table.

Sub-Sector	Action Plan Item	ODS consumption identified in survey (ODP tonnes)	Remaining consumption eligible for funding (ODP tonnes)	Estimated incremental costs (US \$)
Aerosols	Phase-out in the sector	10.0	5.0	60,500
MDIs	Transition to non-CFC MDIs and awareness creating activities	0	0	120,000
Foams	CFC phase-out of smaller foam manufacturers	40.0	10.0	121,000
Halons	Technical assistance program to facilitate the phase-out	42.0	42.0	100,000
Refrigeration and MAC Servicing	Recovery/recycling, and servicing equipment, and training component	221.0	150.0	1,160,300
Training Customs	Detection equipment provision and training	0	5.0	60,500
Project management cost	Project management and supporting activities	0	5.0	US\$ 150,000
Total requested NPP cost			170.0	US\$ 1,711,800
HCFCs	Monitoring and controlling import, development of a database and HCFC user registration			US\$ 75,000 MLF funding pending Executive Committee decision in 2008

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

35. The Executive Committee considered Tunisia's country programme update at its 47th Meeting together with the comments and recommendations of the Secretariat as per document UNEP/OzL.Pro/ExCom/47/49 and Corr.1. The Secretariat has taken into consideration the information contained in this document in reviewing the NPP.

36. The NPP provides no reference to 2005 ODS consumption data for Tunisia. The Secretariat has requested the World Bank as the agency responsible for the institutional strengthening project in Tunisia to contact the Government of Tunisia and advise them to send the report on progress with implementation of the country programme for 2005 together with the 2005 ODS consumption data. The report was due by 1 May 2006. The World Bank responded that the national ozone unit in Tunisia has been collecting information but more time would be required due to new reporting requirements. The 2005 data had not been submitted to the Secretariat at the time of preparation of this document.

37. The Secretariat noted that the 2004 CFC consumption data reported to the Secretariat indicate zero ODS consumption in the aerosol sector. The plan claims that residual ODS consumption of about 10 ODP tonnes still needs to be addressed in this sector. The World Bank advised that there might still be some residual consumption by small aerosol fillers, and a follow up on such small enterprises converting to hydrocarbon-based technology would be important especially due to safety concerns.

38. The Secretariat noted that the 2004 CFC-12 consumption in the refrigeration servicing sector shown in the NPP had significantly exceeded the total 2004 imports of this substance as reported to the Secretariat. In its clarification on this matter, the World Bank assumed that the discrepancy could be due to stockpiling of CFCs at dealers and servicing shops.

39. The NPP incorporates the request for separate and additional funding for the establishment of a reclamation centre in the country to be submitted for special consideration by the Executive Committee in 2008. In this regard, the Secretariat clarified that all the agreements approved so far with respect to sectoral or national CFC phase-out plans in Article 5 countries invariably contained a provision indicating that the funding obligations of the Executive Committee provided against phase-out performance by an Article 5 country precluded the country from applying for or receiving further funding from the Multilateral Fund. It is the responsibility of the implementing agency together with Article 5 country to elaborate the phase-out strategy and to set priorities within the approved budget to ensure compliance with the phase-out schedule. The World Bank clarified that there might be a need for national or regional CFC reclamation capacity to cope with a possible CFC demand after 2009. In final discussions, the World Bank and the Secretariat agreed that the NPP will be the final project for the phase-out of CFCs and halon consumption.

40. As required by decision 44/8, the Secretariat has sought additional information on the implementation modalities of the halon phase-out programme, in particular information regarding the sustainability of the component specified as recovery and recycling. The costs associated with this component is US \$20,000. The required information was not available at the time of issuing this document. The Secretariat will inform the Executive Committee during its 49th meeting of any information submitted in the meantime.

41. The NPP does not address the consumption of 0.4 ODP tonnes of CTC in the solvent sector. The Executive Committee approved at its 45th meeting the project "Training and awareness workshop in the solvents and process agent CTC and TCA sectors" on the understanding that no more funding would be requested from the Multilateral Fund for the phase-out of ODS in the solvent sector (decision 45/33). The consumption of CTC is therefore not reflected in the Draft Agreement.

42. The Secretariat commented on the requested funding for the HCFC management component, and indicated that there was no policy basis which would allow the requested costs to be recommended by the Secretariat for approval. Funding of activities associated with HCFCs is an issue for discussion at future meetings of the Executive Committee. The request for funding has been withdrawn by the World Bank.

43. The Secretariat indicated to the World Bank that according to the report prepared by the International Pharmaceutical Aerosol Consortium and submitted to TEAP, CFC-free metered dose inhalers have been used in Tunisia since June 2003. It appears that a number of activities

included in the action plan in relation to the MDI sector might not be required. The cost of the MDI component has been adjusted accordingly.

44. The Secretariat discussed extensively the incremental costs requested for the aerosol, foam and refrigeration servicing components. The funding has been agreed on the basis of remaining consumption and took into account the cost-effectiveness achieved in approval of national CFC phase-out plans in other Article 5 countries. Tunisia has not received support for customs training, either through an RMP or through other projects. Therefore, the requested support for customs training was deemed eligible.

45. The requested budget has been adjusted accordingly and is presented in the following table.

Budget item	US \$
Technical assistance in the foam and aerosol sectors	
Refrigeration servicing sector component	
Customs training	
Halon phase-out component (without recovery and recycling)	1,012,178
Halon phase-out component / recovery and recycling part	20,000
Sub-total	1,032,178
Project monitoring and management (10% of the sub-total)	103,218
Total project cost	1,135,396
Agency support cost	85,155
Total agreed grant	1,220,551

46. The agency support cost is 7.5% of the total project cost.

RECOMMENDATION

47. The Executive Committee may wish to:

- (a) Approve, in principle, the national ODS phase-out plan for Tunisia at the amount of US \$1,135,395 plus agency support costs of US \$85,155 for the World Bank;
- (b) Approve the draft agreement between the Government of Tunisia and the Executive Committee for the implementation of the national ODS phase-out plan as contained in Annex I to this document; and
- (c) Approve the first tranche of the plan for the 2006-2007 annual implementation programme at the funding levels shown in the table below on the understanding that the report covering its implementation, to be submitted with the request for a second tranche, will include a detailed account of the institutional set-up, in particular the monitoring and reporting responsibilities.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
	National CFC phase-out plan (first tranche)	790,000	59,250	World Bank

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**DRAFT AGREEMENT BETWEEN TUNISIA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Tunisia (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A (“The Substances”) by January 2010, in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A (“The Targets, and Funding”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3 and consistent with existing MLF policies and guidelines, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance with the following paragraphs 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 6 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. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
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 56 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of the Target has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (“Format for Annual Implementation Programmes”) in respect of the year for which funding is being requested.
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 that monitoring in accordance with the roles and responsibilities set out in

Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the funding was determined on the basis of estimates of the needs of the country to carry out its obligations under this agreement, 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 goals prescribed under this agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual programme.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing subsector:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration servicing sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities, such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

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. The World Bank has agreed to be the lead implementing agency ("Lead IA"). The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 7 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 1-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. In 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 instalment of Funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeding the Maximum Allowable Total Consumption of CFCs limit (Appendix 2-A) in any one year.

11. The funding components 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.

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

13. All of the agreements 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 Protocol unless otherwise defined herein.

APPENDIX 1-A THE SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex	Group	Chemical
Annex A	I	CFC-11, CFC-12 and CFC-115
Annex A	II	Halon 1211 and Halon 1301

APPENDIX 2-A THE TARGETS, AND FUNDING

	2004	2005	2006	2007	2008	2009	2010	Total
1. Annex A, Group I Montreal Protocol Reduction Schedule (ODP tonnes)	870.1	435.05	435.05	130.5	130.5	130.5	0	
2. Max allowable total consumption of CFCs under the NOPP (ODP tonnes)	NA	NA	300.0	130.5	130.5	130.5	0	
3. Annex A, Group II Montreal Protocol Reduction Schedule (ODP tonnes)	104.3	52.15	52.15	52.15	52.15	52.15	0	
4. Max allowable total consumption of CFCs under the NOPP (ODP tonnes)	NA	NA	42.00	42.00	42.00	42.00	0	
6. Total agreed NOPP funding (US \$)	0	0	790,000	0	345,395	0	0	1,135,395
7. WB support costs (US \$)			59,250	0	25,905	0	0	85,155
8. Total agreed grant for tranche, including support cost (US\$)			849,250	0	371,300	0	0	1,220,550

APPENDIX 3-A FUNDING APPROVAL SCHEDULE

1. Funding other than the payments in 2006, will be considered for approval at the second ExCom meeting in 2008 together with the 2008-2009 implementation plan.

APPENDIX 4-A- FORMAT FOR 2008-2009 IMPLEMENTATION PLAN

This format is proposed for use by the Article 5 country to prepare the annual implementation programme for the implementation of performance-based ODS phase-out plans; however, it should be modified to suit the specific needs of each plan.

1. **Data**

Country _____

Year of plan _____

of years completed _____

of years remaining under the plan _____

Target ODS consumption of the preceding year _____

Target ODS consumption of the year of plan _____

Level of funding requested _____

Lead implementing agency _____

Co-operating agency(ies) _____

2. **Targets**

Target:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Servicing						
Aerosol						
Foam						
Halon						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity: _____
 Objective: _____
 Target Group: _____
 Impact: _____

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Type of Policy Control on ODS Import: servicing, etc	
Public Awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
TOTAL	

7. **Administrative Fees**

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1. The NOU within ANPE has the overall responsibility for monitoring of the implementation of the NOPP;
2. All monitoring activities will be coordinated and managed through a project management team to be established within the NOU. The management team will consist of staff appointed within NOU, supported by sector specific consultants as needed;
3. Consistent with the existing ODS import control system, of all imports of ODSs substances are based on import permits issued by NOU and monitored and recorded by NOU. With the initiation of the NOPP, the import will be controlled within the limits given in the agreement and the overall national ODS policies. The NOU will provide the Bank's Tunisian Task Team with regular updates on ODS import during the year;
4. Annual verification of ODS import, as required by this agreement, will be carried out by an independent party each year. Based on agreed TOR, ANPE will select an independent consultant/company to carry the annual verification of the ODS imports during the year and status of implementation of activities planned for the same year. The annual verification report will be submitted to the Bank not later than May 1 each year.

APPENDIX 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

- (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 ODS phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the implementation programme;
- (c) Assisting the Country in preparation of the 2008-2009 Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Implementation Programmes;
- (e) Reporting on the implementation of the Implementation Programme of the preceding years and preparing an Implementation Programme for the year 2008-2009 for submission to the Executive Committee;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Target;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$14.4/kg ODP of reductions in consumption not achieved in the year.
