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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fiftieth Meeting
New Delhi, 6-10 November 2006

PROJECT PROPOSAL: GEORGIA

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

Phase-out

- Terminal phase-out management plan (first tranche)

UNDP

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 – MULTI-YEAR PROJECTS
GEORGIA**

PROJECT TITLE **BILATERAL/IMPLEMENTING AGENCY**

Terminal phase-out management plan (first tranche)	UNDP
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NATIONAL CO-ORDINATING AGENCY:	Ozone Unit, Ministry of the Environment Protection and Natural Resources
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE 7 DATA (ODP TONNES, 2005, AS OF AUGUST 2006)

Annex A, Group I, CFCs	8.18		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)

ODS	Aerosol	Foam	Ref. servicing	ODS	Solvents	Process agent	Fumigant
CFC-12			8.18				

CFC consumption remaining eligible for funding (ODP tonnes)	
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CURRENT YEAR BUSINESS PLAN: Total funding US \$105,000: total phase-out 2.0 ODP tonnes.

PROJECT DATA		2006	2007	2008	2009	2010	Total
CFC (ODP tonnes)	Montreal Protocol limits	11.250	3.375	3.375	3.375	0	
	Annual consumption limit	8.180	3.375	3.375	3.375	0	
	Annual phase-out from ongoing projects						
	Annual phase-out newly addressed						
	Annual unfunded phase-out						
TOTAL ODS CONSUMPTION TO BE PHASED OUT							
Total ODS consumption to be phased-in (HCFCs)							
Project cost as originally submitted (US \$)							
Final project costs (US \$):							
Funding for UNDP		216,180	108,820				325,000
Total project funding		216,180	108,820				325,000
Final support costs (US \$):							
Support cost for UNDP		16,214	8,162				24,376
Total support costs		16,214	8,162				24,376
TOTAL COST TO MULTILATERAL FUND (US \$)		232,394	116,982				349,376
Final project cost effectiveness (US \$/kg)							n/a

FUNDING REQUEST: Approval in principle of total ODS phase-out, total project funding and total support costs, and approval of funding for the first tranche (2006) as indicated above.

SECRETARIAT'S RECOMMENDATION	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Georgia, UNDP has submitted a terminal phase-out management plan for CFCs (TPMP) for consideration by the Executive Committee at its 50th Meeting. The total cost of the TPMP is US \$325,000 plus agency support costs of US \$24,376 for UNDP. The project proposes the complete phase-out of CFCs by the end of 2009. The CFC baseline for compliance is 22.48 ODP tonnes.

Background

2. The Executive Committee approved, at its 23rd Meeting, the refrigerant management plan (RMP) project for Georgia (UNEP/OzL.Pro/ExCom/23/29) and allocated US \$191,750 (excluding agency support costs) for its implementation. On the basis of decision 31/48 on RMPs the Executive Committee approved, at its 35th Meeting, an additional US \$137,350 (excluding agency support costs) for UNDP and UNEP for the implementation of the RMP update project.

Policy instruments

3. A Presidential Decree on the control of ODS in Georgia was enacted in May 2002. The decree sets out the following:

- (a) An ODS import licensing system that allows for the gradual reduction in the quantities of ODS imported into the country;
- (b) A ban on imports of ODSs from countries that are not Parties to the Montreal Protocol;
- (c) Mandatory registration of importers and mandatory certification of individuals or organizations performing maintenance and decommissioning of ODS-based equipment.
- (d) An ODS handling certificate permit system issued only to legally registered enterprises which have certified technicians, subject to submission of detailed reports on the consumption of CFCs; and
- (e) Certification of refrigeration service technicians (established and currently under review).

4. The Ministry of the Environment Protection and Natural Resources is currently reviewing and updating the ODS legislation. The review process is expected to be finalized by the end of 2006.

The Abkhazian region

5. As a result of internal conflicts in Georgia, about 250,000 people from the Abkhazian region fled to other regions of the country. Although the Abkhazian region is legally part of Georgia and has autonomous status within the country, the Government of Georgia does not have any control over this region. Due to the prevailing circumstances, it has not been feasible to carry out a survey on ODS consumption in this region.

Refrigeration servicing sector

6. Current CFC consumption in Georgia is about 8.2 ODP tonnes of CFC-12 used for servicing domestic refrigerators, commercial and industrial refrigeration systems and MAC units. Refrigeration systems are repaired by 31 service workshops employing 160 technicians, 260 technicians operating as individuals and 240 technicians active as in-house technicians. The current (2006) prices of refrigerants per kg are: US \$11.00 for CFC-12, US \$20.00 for HFC-134a, and US \$8.00 for HCFC-22.

Results achieved so far

7. Through implementation of the RMP and RMP update, 25 technicians received training in good refrigeration servicing practices and became the trainers for all other technicians in the country, resulting in an additional 500 technicians receiving training. Thirty customs officers received training in monitoring and control of ODS, and in turn trained an additional 150 customs officers.

8. The recovery and recycling programme was initiated in 1999 with the training of 90 technicians in recovery and recycling practices, and the distribution of 15 recovery units and 45 manual vacuum pumps to refrigeration technicians. Since then, 1.5 ODP tonnes of refrigerants have been recovered.

9. The incentive programme for commercial and industrial refrigeration end-users was completed in April 2005. Fifteen enterprises (instead of eight enterprises as originally proposed in the sub-project) received assistance for replacing CFCs with alternative refrigerants. About 3.36 ODP tonnes of CFC-12 were phased out from participating companies. Two additional end-users retrofitted their refrigeration systems without financial assistance from the Multilateral Fund, resulting in indirect phase-out of an additional 2.47 ODP tonnes of CFC-12.

Metered dose inhalers (MDIs)

10. CFC-based MDI applications are still being imported into the country, totalling approximately 262,000 MDI units for 2005. The most common active ingredients are salbutamol, beclomethasone, budesonide, fluticasone, fenoterol, orciprenaline sulphate and cromoglycic sodium.

Activities proposed in the TPMP

11. The TPMP for Georgia includes sub-projects that involve: technical support to strengthen the ODS licensing system; additional training for customs officers; establishment and implementation of a code of good refrigeration service practice; additional training to

refrigeration technicians in improved service practices including the use of alternative refrigerants and recovery/recycling operations; enhancement of the functionality of the recovery/recycling programme by providing equipment to verify the quality of the recovered CFCs and implementing a financial system to allow for the sustainability of the recovery/recycling programme; implementing additional demonstration projects to build technician competence and end-user confidence in retrofit methods and non-ODS technology; and establishing the monitoring and evaluation unit. The TPMP for Georgia also includes a request for the development of a transitional strategy to non-CFC based MDIs (at US \$30,000). A detailed work plan for 2007 has been submitted with the TPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

ODS consumption

12. According to the consumption data reported by the Government of Georgia under Article 7 of the Montreal Protocol, CFC consumption has been reduced from 21.5 ODP tonnes in 2000 to 8.18 ODP tonnes in 2005, which was 3.06 ODP tonnes below the allowable level of consumption for that year (i.e., 11.24 ODP tonnes).

13. Noting that from the 2005 CFC level of consumption a further reduction of 4.808 ODP tonnes would be needed to achieve the 2007 allowable level, the Secretariat sought advice from UNDP on whether the Government of Georgia would be able to achieve the 2007 target on time. UNDP informed the Secretariat that the Government of Georgia will do its utmost to reduce CFC imports to meet Montreal Protocol requirements. If the actual demand for CFCs exceeds the 2007 import restrictions, it will be satisfied through recycled and stockpiled refrigerants. After 2007, the activities proposed in the TPMP will be under full implementation sustaining the CFC phase-out programme.

Situation in the Abkhazian region

14. In relation to the prevailing situation in the Abkhazian region, the Secretariat pointed out that provisions should be made within the TPMP for Georgia to address CFC consumption in this region once the internal situation is resolved. Taking into consideration that the level of funding for the TPMP has been estimated using Georgia's CFC baseline for compliance (i.e., 22.48 ODP tonnes) rather than the latest reported consumption, the TPMP should address all remaining CFC consumption in the country. In this regard, UNDP reported that when control over the Abkhazian region would be restored the country might consider requesting a change in its CFC baseline consumption.

Level of funding and implementation modalities

15. During the review of the TPMP, the Secretariat noted that:

- (a) Most of the CFC-based refrigeration equipment in operation is based on old technologies and often needs to be upgraded to improve reliability and energy-

efficiency. Also, most of it is owned by small- and medium-sized companies that lack the financial resources to upgrade or replace it;

- (b) Many service technicians lack basic service equipment. In spite of the training programme provided to 500 technicians, good service practice is not generally applied;
- (c) Some of the measures required for successful implementation of the recovery and recycling programme have not been fully accomplished (i.e., the price differential between CFC and non-CFC refrigerants is still large). Furthermore, the current recovery and recycling scheme has not yet resulted in a significant reduction of CFC demand and additional quantities of CFCs potentially to be recovered/recycled are limited since the total consumption of CFCs in the commercial, industrial and MAC sub-sectors is about 6 ODP tonnes and is being reduced annually as old CFC-based equipment is being replaced;
- (d) A specific phase-out programme for the proper management of the 4 ODP tonnes of CFC-12 currently used in the 24 chillers in operation (with an annual consumption for servicing of some 0.88 ODP tonnes) has not been developed.

16. Under the above circumstances, and taking into account the requirements of decisions 41/100 and 49/6, the Secretariat suggested that UNDP examines the merits of providing all necessary technical and financial support to the Government of Georgia within the eligible level of funding for the TPMP proposal, to address the issues noted. UNDP considered the Secretariat's suggestion and adjusted the sub-project components of the TPMP accordingly.

Agreement

17. The Government of Georgia submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Georgia, which is contained in the annex to the present document.

RECOMMENDATION

18. The Secretariat recommends blanket approval of the terminal phase-out management plan for Georgia. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Georgia, at the amount of US \$325,000 plus agency support costs of US \$24,376 for UNDP;
- (b) Approve the draft agreement between the Government of Georgia and the Executive Committee for the implementation of the national phase-out plan as contained in Annex I to this document;
- (c) Urge UNDP to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the terminal phase-out management plan; and
- (d) Approve the first tranche of the plan, at the amount of US \$216,180 plus agency support costs of US \$16,214.

Annex I

DRAFT AGREEMENT BETWEEN GEORGIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE TERMINAL PHASE-OUT MANAGEMENT PLAN

1. This Agreement represents the understanding Georgia (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”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to meet the annual consumption limits of the Substances in Annex A (Group I) of the Montreal Protocol as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) in this Agreement. 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 the Substances as described in the TPMP document.
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 4 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances 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 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for the applicable year;
 - (b) That the meeting of these Targets will be independently verified if requested by the Executive Committee consistent with paragraph (d) of decision 45/54;
 - (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 (the “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 (the “Monitoring”) 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 servicing sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The technical assistance programme will be implemented in stages so that remaining resources can be diverted to other 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;
- (c) The Country and the implementing agencies will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the technical assistance programme for the refrigeration servicing sub sectors.

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

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances 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. 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 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 reductions in consumption not achieved 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.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-11, CFC-12, CFC-115
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APPENDIX 2-A: THE TARGETS, AND FUNDING

	2006	2007	2008	2009	2010	Total
1. Montreal Protocol consumption limits of Annex A, Group I substances (ODP tonnes)	11.250	3.375	3.375	3.375	0	
2. Max allowable total consumption of Annex A Group I substances (ODP tonnes)	8.180	3.375	3.375	3.375	0	
3. IA (UNDP) agreed funding (US \$)	216,180	108,820	0	0	0	325,000
4. Total agreed funding (US \$)	216,180	108,820	0	0	0	325,000
5. Lead IA (UNDP) support costs (US \$)	16,214	8,162	0	0	0	24,376
6. Total agreed costs (US \$)	232,394	116,982	0	0	0	349,376

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding will be considered for approval at the last meeting of the year.

APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

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

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

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)
Manufacturing						
Total						
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 until approval of next tranche (US \$)
Total	

7. Administrative Fees

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. All the monitoring activities will be coordinated and managed through the project "Monitoring and Management Unit", which is included within this TPMP.

2. The Lead IA will have a particularly prominent role in the monitoring arrangements because of its mandate to monitor ODS imports, whose records will be used as a crosschecking reference in all the monitoring programmes for the different projects within the TPMP. This organization, along with the cooperating IA will also undertake the challenging task of monitoring illegal ODS imports and exports with advisements made to the appropriate national agencies through the National Ozone Office.

Verification and reporting

3. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Georgia for related auditing. Based on discussion with the Lead IA, Georgia should select the independent organization (auditing) to carry out the verification of the TPMP results and this independent monitoring programme.

4. The monitoring reports will be produced and verified each year, previous to the third meeting of the Executive Committee. These reports will produce the input for the yearly implementation reports required by the Executive Committee.

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 phase-out plan;
- (b) Assisting the Country in preparation of the Annual Implementation Programme;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme consistent with Appendix 5A. In case the Executive Committee selects Georgia consistent with paragraph (d) of decision 45/54 separate funding will be provided by the Executive committee to the Lead IA for this undertaking;
- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future annual implementation programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing for annual implementation programme for the year of submission for submission to the Executive Committee, commencing with the 2007 annual implementation programme combined with the report on the 2006 annual implementation programme;

- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification that consumption of the Substances has been eliminated in accordance with the Targets, if requested by the Executive Committee;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY

Not relevant

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 7 of the Agreement, the amount of funding provided may be reduced by US \$15,000 per ODP tonne of reductions in consumption not achieved in the year.
