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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: URUGUAY**

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

Phase-out

- Terminal phase-out management plan for Annex A Group I substances (first tranche) Canada and  
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  
URUGUAY**

**PROJECT TITLE****BILATERAL/IMPLEMENTING AGENCY**

Terminal phase-out management plan for Annex A Group I substances (first tranche)	Canada and UNDP
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**SUB-PROJECT TITLES**

(a) Complement for training and certification of refrigeration technicians	Canada
(b) Incentives / Tools to promote refrigerant conservation & substitute blends	UNDP
(c) Enforcement of CFC import licensing system and prevention of illegal trade	Canada
(d) TPMP implementation, monitoring, and control	UNDP

<b>NATIONAL CO-ORDINATING AGENCY:</b>	Ministry of Housing, Territorial Organization and Environment, Ozone Governmental Technical Commission
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**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

CFC	97.56		
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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 11			0.82				
CFC 12			97.00				

<b>CFC consumption remaining eligible for funding (ODP tonnes)</b>	
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**CURRENT YEAR BUSINESS PLAN:** Total funding US \$296,000: total phase-out 3.0 ODP tonnes.

PROJECT DATA		2005	2006	2007	2008	2009	2010	Total
CFC  (ODP tonnes)	Montreal Protocol limits	99.53	<b>99.53</b>	29.86	29.86	29.86	0.00	
	Annual consumption limit	99.53	<b>99.53</b>	29.86	29.86	29.86	0.00	
	Annual phase-out from ongoing projects			69.67				69.67
	Annual phase-out newly addressed						29.86	29.86
	Annual unfunded phase-out							
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT</b>				<b>69.67</b>			<b>29.86</b>	<b>99.53</b>
Total ODS consumption to be phased-in (HCFCs)								
Project cost as originally submitted (US \$)								
<b>Final project costs (US \$):</b>								
	Funding for UNDP		<b>240,000</b>	48,000		45,000		333,000
	Funding for Canada		<b>160,000</b>	42,000		30,000		232,000
	<b>Total project funding</b>		<b>400,000</b>	<b>90,000</b>		<b>75,000</b>		<b>565,000</b>
<b>Final support costs (US \$):</b>								
	Support cost for UNDP		<b>18,000</b>	3,600		3,375		24,975
	Support cost for Canada		<b>20,800</b>	5,460		3,900		30,160
	<b>Total support costs</b>		<b>38,800</b>	<b>9,060</b>		<b>7,275</b>		<b>55,135</b>
<b>TOTAL COST TO MULTILATERAL FUND (US \$)</b>			<b>438,800</b>	<b>99,060</b>		<b>82,275</b>		<b>620,135</b>
Final project cost effectiveness (US \$/kg)								

**FUNDING REQUEST:** Approval of funding for the first tranche (2006) as indicated above.

<b>SECRETARIAT'S RECOMMENDATION</b>	Blanket approval
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## PROJECT DESCRIPTION

1. On behalf of the Government of Uruguay UNDP, as the lead implementing agency, has submitted a terminal phase-out management plan for Annex A Group I substances (TPMP) for consideration by the Executive Committee at its 50th Meeting. The project will also be implemented with assistance from the Government of Canada.
2. The total cost of the Uruguay TPMP is US \$565,000 plus agency support costs of US \$55,135. The project proposes the complete phase-out of CFCs by the end of 2009. The CFC baseline for compliance is 199.06 ODP tonnes.

### Background

3. Uruguay has already phased out the use of CFCs in the aerosol, foam, solvent, and refrigeration manufacturing sectors. The remaining consumption of 9.57 ODP tonnes of CFCs for the manufacturing of metered dose inhalers, (MDIs) is expected to be phased out by 1 January 2008, thanks to the MDI transitional strategy approved for funding by the Executive Committee at its 43rd Meeting.
4. In regard to the phase-out of CFCs in the refrigeration servicing sector, the Executive Committee allocated US \$145,770 for the refrigerant management plan (RMP) at its 27<sup>th</sup> Meeting, and US \$219,934 for the RMP update at its 34th Meeting. A total of 87.99 ODP tonnes of CFCs used for servicing refrigeration systems remain to be phased out.

### Policy and legislation

5. The most important legal instruments that form the ozone regime in the country are:
  - (a) The General Law for the Environment, which designates the Ministry of Housing, Territorial Organisation and Environment as the national authority in charge of the implementation of the Montreal Protocol, and establishes the legal basis for the restriction of production and import of ODS-containing equipment;
  - (b) The National Budget Law, laying the legal foundation for the implementation of the ODS import licensing system;
  - (c) A Presidential Decree for the phase-out of ODS, which assigns the responsibility for the control of foreign trade and customs operations with ODS and the expediting of certificates for imports and exports of ODS; prohibits the production, import and/or export of new or used ODS-based equipment or ODS-based products; bans trade of ODS with countries which are not Parties to the Montreal Protocol; prohibits the production, import and/or export of all controlled ODS from 1 March 2008 except for essential uses; and establishes relevant sanctions for non-compliance with the above directives.

## **Refrigeration servicing sector**

6. Of the total CFC consumption used in the refrigeration servicing sector, 53.4 ODP tonnes are used for servicing domestic refrigerators, 21.5 ODP tonnes for commercial refrigeration, 10.7 ODP tonnes for MAC units and refrigerated transport, and 2.4 ODP tonnes for chillers.

7. There are approximately 1,000 refrigeration technicians in the country of which only around 30 per cent have had specialized training. The refrigeration servicing sector comprises a large number of small users, with many different types and capacities of refrigeration equipment, and most of the remaining users have limited resources for equipment upgrade.

8. The current prices of refrigerants per kg are: US \$6.00 for CFC-11, US \$9.91 for CFC-12, US \$4.88 for HCFC-22, US \$17.85 for HFC-134a, US \$22.00 for R-409a and US \$10.00 for R406a. According to importers and distributors of refrigerants, the local market is evolving towards the replacement of CFC-12 by alternative blends for the domestic refrigeration sector, by HCFC-22 in the remaining commercial refrigeration sector, and by HFC-134a in the MAC sector.

## **Activities proposed in the TPMP**

9. The Government of Uruguay proposes to build on the foundation laid by the previous work under the RMP and the RMP update. The phase-out strategy will therefore be implemented through an action plan composed of the following initiatives:

- (a) Complement for training and certification of refrigeration technicians to promote the use of good practices in refrigeration; knowledge about alternative refrigerants; and establishment of a refrigeration technician certification scheme;
- (b) Incentives and tools to promote refrigerant conservation and use of alternative refrigerants;
- (c) Enforcement of the CFC import licensing system and prevention of illegal trade of CFCs;
- (d) Public awareness campaigns; and
- (e) Implementation, monitoring, and control to ensure the success of the different initiatives within the TPMP.

10. The Government of Uruguay plans the complete phase-out of CFCs by 1 January 2010, in accordance with the provisions of the Montreal Protocol.

## **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

### **COMMENTS**

11. According to the consumption data reported by the Government of Uruguay under Article 7 of the Montreal Protocol, CFC consumption has been reduced from 111.38 ODP tonnes

in 2003 to 97.56 ODP tonnes in 2005 (i.e., 1.97 ODP tonnes below the allowable level of consumption for 2005).

12. Noting that from the 2005 CFC level of consumption, a further reduction of 67.7 ODP tonnes would be needed to achieve the 2007 allowable level (i.e., 29.86 ODP tonnes), the Secretariat asked whether the Government of Uruguay would be able to achieve the 2007 target. UNDP, as the lead agency for implementation of the TPMP, indicated that current higher prices of CFCs would favour recovery and recycling operations and also promote a faster change-over to alternative refrigerants (very recently, alternative refrigerants have been introduced into the country). Furthermore, in 2006 the Government of Uruguay has stepped up an aggressive programme of consultation with CFC importers in order for them to finalize a marketing switch-over strategy for 2007. The proposed project to enforce the CFC import licensing system and prevent illegal trade of CFCs will strengthen the import/export licensing system and reinforce the CFC import control and monitoring activities at customs entry points.

13. The Secretariat asked whether it would be feasible to completely phase out CFCs by 1 March 2008 as established by a Presidential Decree. UNDP indicated that it was necessary to establish the regulations and practical mechanisms for its effective implementation, previous to its entry into force. One of the key issues to address in this regard was the need to provide refrigeration technicians with the information and material resources necessary for the phase-out of CFCs, especially during these final stages of the programme.

### **Agreement**

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

### **RECOMMENDATION**

15. The Secretariat recommends blanket approval of the terminal phase-out management plan for Annex A Group I substances for Uruguay. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Uruguay, at the amount of US \$565,000 plus agency support costs of US \$30,160 for the Government of Canada and US \$24,975 for UNDP;
- (b) Approve the draft agreement between the Government of Uruguay and the Executive Committee for the implementation of the national phase-out plan as contained in Annex I to this document;
- (c) Urge the Government of Canada and 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 funding levels shown in the table below:

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	Terminal phase-out management plan for Annex A Group I substances (first tranche)	160,000	20,800	Canada
(b)	Terminal phase-out management plan for Annex A Group I substances (first tranche)	240,000	18,000	UNDP

## **Annex I**

### **AGREEMENT BETWEEN URUGUAY AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF ANNEX A GROUP I OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of the Government of Uruguay (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 9 of Appendix 2-A (the “Funding”) to the Country, commencing with the entry into force of the import/export licensing system to monitor and control trade in ozone depleting substances. 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 for the refrigeration servicing sub sectors would be implemented in stages so that 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; and
- (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") and the Government of Canada 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 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 Cooperating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 7 and 8 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances in Annex A (Group I) of the Montreal Protocol 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 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.

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 common names of the ozone-depleting substances to be phased out under the Agreement will be listed here.

Annex A:	Group I	CFC11, CFC12, CFC113 CFC 114 and CFC115
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#### **APPENDIX 2-A: THE TARGETS, AND FUNDING**

	2005	2006	2007	2008	2009	2010	Total
1. Max allowable total consumption of first substance/sector (ODP tons)	99.53	99.53	29.86	29.86	29.86	0.00	
2. Reduction from ongoing projects			69.67				69.67
3. New reduction under plan						29.86	29.86
4. Total annual reduction of first substance (ODP tons)			69.67			29.86	99.53
5. Lead IA. agreed funding		240,000	48,000		45,000		333,000
6. Cooperating IA agreed funding		160,000	42,000		30,000		232,000
7. Lead IA. support costs		18,000	3,600		3,375		24,975
8. Cooperating IA support costs		20,800	5,460		3,900		30,160
9. Total agreed funding (US \$)		400,000	90,000		75,000		565,000
10. Total agency support costs (US \$)		38,800	9,060		7,275		55,135

#### **APPENDIX 3-A: FUNDING APPROVAL SCHEDULE**

1. Funding will be considered for approval at the last meeting of the year prior to the year of the Annual Implementation Programme.

**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
Total	

**7. Administrative Fees**

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

1. The monitoring of the TPMP results and CFC consumption will be carried out within the project “TPMP Implementation, Monitoring, and Control”, with the general oversight of UNDP as Lead IA.
2. The monitoring activities will be based on three key elements: (a) well designed forms for data collection, evaluation and reporting, (b) program of regular monitoring visits, and (c) appropriate cross-checking of information from different sources.
3. The monitoring reports will be produced, verified and acted upon every quarter, for the purpose of project monitoring and control. The quarterly reports will be consolidated each year, previous to the first meeting of the Executive Committee. These reports will be used as input for the annual implementation reports required by the Executive Committee.

Verification and reporting

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

**APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

1. The Lead IA will be responsible for a range of activities to be specified in the project document along the lines of 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 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. For this undertaking, separate funding will be provided by the Executive committee to the Lead IA;
  - (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 2008 annual implementation programme combined with the report on the 2007 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) Coordinating the activities of the Cooperating IA;
- (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.

#### **APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY**

- 1. The Cooperating IA (Canada) will:
  - (a) Provide policy development assistance when required;
  - (b) Assist the Government in the implementation and assessment of the activities funded for by the Cooperating IA; and
  - (c) Provide reports to the Lead IA on these activities, for inclusion in the consolidated reports.

#### **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 \$15,000 per ODP tonne of reductions in consumption not achieved in the year.

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