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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fourth Meeting
Montreal, 7-11 April 2008

PROJECT PROPOSAL: SAO TOME AND PRINCIPE

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 CFCs (first tranche) UNEP and UNIDO

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
SAO TOME AND PRINCIPE**

PROJECT TITLE	BILATERAL/IMPLEMENTING AGENCY
Terminal phase-out management plan for CFCs (first tranche)	UNEP and UNIDO

NATIONAL CO-ORDINATING AGENCY:	General Directorate of the Environment – National Ozone Unit – Sao Tome and Principe
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE-7 DATA (ODP TONNES, 2006, AS OF JANUARY 2008)

Annex A, Group I, CFCs	1.6		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2006, AS OF JANUARY 2008)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFCs				1.6			

CFC consumption remaining eligible for funding (ODP tonnes)	
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CURRENT YEAR BUSINESS PLAN: Total funding US \$220,000: total phase-out 0.2 ODP tonnes.

PROJECT DATA		2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	0.7	0.7	0	
	Annual consumption limit	0.7	0.7	0	
	Annual phase-out newly addressed	0	0.7	0	0.7
TOTAL ODS CONSUMPTION TO BE PHASED OUT					
Final project costs (US \$):					
	Funding for Lead IA: UNEP	54,000	21,000	0	75,000
	Funding for Cooperating IA: UNIDO	66,000	49,000	0	115,000
	Total project funding	120,000	70,000	0	190,000
Final support costs (US \$):					
	Support cost for Lead IA: UNEP	7,020	2,730	0	9,750
	Support cost for Cooperating IA: UNIDO	5,940	4,410	0	10,350
	Total support costs	12,960	7,140	0	20,100
TOTAL COST TO MULTILATERAL FUND (US \$)		132,960	77,140	0	210,100
Final project cost effectiveness (US\$/kg)					n/a

FUNDING REQUEST: Approval of funding for the first tranche (2008) as indicated above.

SECRETARIAT'S RECOMMENDATION	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Sao Tome and Principe, UNEP, as the lead implementing agency, has submitted a terminal phase-out management plan for CFCs (TPMP) for consideration by the Executive Committee at its 54th Meeting. The project will also be implemented with assistance from UNIDO. The total cost of the TPMP for Sao Tome and Principe as originally submitted is US \$205,000 (US \$90,000 plus agency support costs of US \$11,700 for UNEP and US \$115,000 plus agency support costs of US \$10,350 for UNIDO). The project proposes the complete phase-out of CFCs (0.7 ODP tonnes) by the end of 2009. The CFC baseline for compliance is 4.7 ODP tonnes.

Background

2. In regard to the phase-out of CFCs in the refrigeration servicing sector, the Executive Committee allocated, at its 44th Meeting, US \$140,000 to UNEP for the development of an ODS licensing system, implementation of training programmes for customs officers and refrigeration technicians, and for monitoring the activities included in the RMP. An additional US \$110,000 was allocated at the same Meeting to UNDP for a technical assistance programme in the refrigeration servicing sector.

3. Implementation of the activities in the refrigeration servicing sector resulted in the approval of ODS regulations; training of 129 refrigeration service technicians in good servicing practices and 21 customs officers; acquisition of refrigeration equipment for the training centres; and development of a recovery and recycling programme with the delivery of relevant machines in early 2008.

Policy and legislation

4. The Decree-Law for ODS was approved in January 2007, covering all ODS, ODS-based equipment, mechanisms for import quotas and authorizations for importing ODS. It also provides guidance on the servicing of ODS-based refrigeration systems by certified technicians.

Refrigeration servicing sector

5. Of the total 1.6 ODP tonnes of CFCs used in the refrigeration servicing sector in 2006, 0.37 of an ODP tonne was used for servicing domestic refrigerators, 1.00 ODP tonne for commercial, industrial refrigeration systems and air conditioning systems, and 0.23 of an ODP tonne for MAC units.

6. Of the 200 refrigeration technicians in the country, 129 received training as envisaged through the RMP project. There are 19 refrigeration service workshops in the country. Considering the shortage of CFC-12 refrigerant and the knowledge that the refrigeration technicians have already acquired, retrofitting of CFC-based equipment to HFC-134a refrigerant had already begun. The current average prices of refrigerants per kg are: US \$7.20 for CFC-12, US \$9.62 for HFC-134a, US \$7.20 for HCFC-22, US \$26.44 for R502, and US \$16.83 for R407 and R410.

Activities proposed in the TPMP

7. The TPMP proposes to train customs officers and refrigeration technicians that were not trained through the RMP (technicians would be trained in good servicing practices as well as in retrofitting procedures); implement a technical assistance programme to provide basic service tools to refrigeration technicians and a retrofit incentive programme; conduct stakeholder awareness campaigns; and establish a monitoring and evaluation mechanism. The Government of Sao Tome and Principe plans the complete phase-out of CFCs by 1 January 2010. A work plan for 2008 has been submitted with the TPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Policy issue

8. At their 19th Meeting, the Parties to the Montreal Protocol recorded that Sao Tome and Principe (among other Parties) has not yet established an ODS import/export licensing systems. Therefore, the Party was found to be in non-compliance with Article 4B of the Protocol. The Parties requested Sao Tome and Principe to submit to the Ozone Secretariat a plan of action to ensure the prompt establishment and operation of an import and export licensing system for ozone depleting substances (decision XIX/26). In this regard the Secretariat suggested that UNEP and UNIDO assist relevant authorities in Sao Tome and Principe to submit the outstanding information to the Ozone Secretariat if this has not yet been done.

9. UNEP reported that the Ozone Officer has written recently to the Ozone Secretariat advising of the enactment of relevant ODS regulations including the licensing system. The Ozone Secretariat confirmed the receipt in February 2008 of an official communication by the Government of Sao Tome and Principe confirming the establishment of a licensing system.

Technical and cost-related issues

10. The 2006 CFC consumption reported by the Government of Sao Tome and Principe under Article 7 of the Protocol of 1.6 ODP tonnes is already 0.8 of an ODP tonne below the Protocol's maximum allowable level for that year (2.4 ODP tonnes), and 0.9 of an ODP tonne above the 2007 allowable level of consumption (0.7 ODP tonne). UNEP also indicated that the country is also expected to be in compliance in 2007.

11. The Secretariat sought explanations for the major reduction in CFC consumption experienced in Sao Tome and Principe from 4.6 ODP tonnes to 1.6 ODP tonnes between 2003 and 2006. It also asked why the recovery and recycling equipment that was approved under the RMP was only distributed in early 2008. UNEP reported that the reduction in CFC consumption was partly due to the limited availability of good quality CFC-12 and partly due to the regulations controlling ODS. With regard to the equipment, UNEP advised that it has already been distributed among the technicians, and that the five ODS identifiers have been given to the Customs officers department.

12. The Secretariat discussed technical issues related to the TPMP, namely: the retrofit of CFC-12-based equipment to refrigerants that are more expensive (i.e., HFC-134a) or the retrofit of R-600-based refrigeration to HFC-134a refrigerant due to the absence of R-600 in the country. UNEP reported that the low quality of the CFC-12 available in the market had led some vehicle owners to convert their MAC systems to HFC-134a for higher efficiency. With regard to the availability of hydrocarbon-based refrigerants, the technical assistance component of the TPMP has included a stock of these refrigerants and will promote their import during project implementation.

13. The Secretariat also requested additional information regarding the proposed activities in the TPMP project, specifically on the need for awareness activities in addition to similar activities undertaken by the Ozone Office, the level of funding being requested for international consultants, and the request for tool kits and spare parts for the recovery and recycling programme. Based on these observations, UNEP and UNIDO strengthened the technical assistance component by providing basic service tools to technicians to retrofit three commercial refrigeration systems and several domestic refrigerators. The overall cost of the project was adjusted accordingly.

Agreement

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

RECOMMENDATION

15. Noting that the Government of Sao Tome and Principe has already informed the Ozone Secretariat on the establishment of licensing system in the country, the Fund Secretariat recommends blanket approval of the terminal phase-out management plan for Sao Tome and Principe. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Sao Tome and Principe, at the amount of US \$190,000 (US \$75,000 plus agency support costs of US \$9,750 for UNEP and US \$115,000 plus agency support costs of US \$10,350 for UNIDO), on the understanding that approval is without prejudice to the operation of the Montreal Protocol's mechanism for addressing non-compliance;
- (b) Approve the draft agreement between the Government of Sao Tome and Principe and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to this document;
- (c) Urge UNEP and UNIDO to take full account of the requirements of decisions 41/100 and 49/6 of the Executive Committee 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:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Terminal phase-out management plan for CFCs (first tranche)	54,000	7,020	UNEP
(b)	Terminal phase-out management plan for CFCs (first tranche)	66,000	5,940	UNIDO

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

1. This Agreement represents the understanding of the Government of Sao Tome and Principe (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 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.
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 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 (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 sub-paragraph 5(b) 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 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 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 “Format of Annual Implementation Programme”) in respect of the year for which tranche 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 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 sub-paragraph 5(b).
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 implementation programme.

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;
- (b) The technical assistance programme for the refrigeration-servicing sub-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; 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 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 fulfill the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNIDO has agreed to be 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 as per sub-paragraph 5(b). The Country also agrees to periodic evaluations, which might 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 set out in Appendix 2-A 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 tranche 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.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

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

		2008	2009	2010	Total
1	Montreal Protocol reduction schedule of Annex I, Group I substances (ODP tonnes)	0.7	0.7	0	
2	Max. allowable total consumption of Annex I, Group I substances (ODP tonnes)	0.7	0.7	0	
3	New reduction under plan (ODP tonnes)	0	0.7	0	0.7
4	Lead IA agreed funding (US \$)	54,000	21,000	0	75,000
5	Cooperating IA agreed funding (US \$)	66,000	49,000	0	115,000
6	Total agreed funding (US \$)	120,000	70,000	0	190,000
7	Lead IA support costs (US \$)	7,020	2,730	0	9,750
8	Cooperating IA support costs (US \$)	5,940	4,410	0	10,350
9	Total agreed support costs (US \$)	12,960	7,140	0	20,100
10	Grand total agreed funding (US \$)	132,960	77,140	0	210,100

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Following approval of the first tranche in 2008, funding for the second tranche will be considered for approval not earlier than the first meeting of 2009

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 _____
 Cooperating agency(ies) _____

2. Targets

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing	0	0	0
	Servicing	0	0	0
	Stockpiling	0	0	0
	Total (2)	0	0	0

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 (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", within the National Ozone Unit (NOU).

Verification and reporting

2. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Sao Tome and Principe for related auditing. Based on discussion with the Lead IA, Sao Tome and Principe 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 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 5-A. In case the Executive Committee selects Sao Tome and Principe 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 2008 and preparing for annual implementation programme for 2009 for submission to the Executive Committee.
- (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 for the Executive Committee 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 will:
 - (a) Provide policy development assistance when required;
 - (b) Assist Sao Tome and Principe 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 \$10,000 per ODP tonne of reductions in consumption not achieved in the year.
