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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: KYRGYZSTAN

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

Phase-out

- HCFC phase-out management plan (stage II, first tranche) UNDP and UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Kyrgyzstan

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage II)	UNDP (lead), UNEP	n/a	n/a

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	3.99 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-142b		0.67							0.67
HCFC-22		0.76		1.00	1.56				3.32

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	4.1	Starting point for sustained aggregate reductions:	4.1
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	1.02	Remaining:	3.08

(V) BUSINESS PLAN		2016	2017	2018	2019	2020	Total
UNDP	Funding (US \$)	18,039	18,039	32,599	32,599	14,489	115,765
	ODS phase-out (ODP tonnes)	0.1	0.1	0.1	0.1	0.1	0.5
UNEP	Funding (US \$)	16,623	0	0	0	6,674	23,297
	ODS phase-out (ODP tonnes)	0	0	0	0	0	0

(VI) PROJECT DATA			2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			3.69	3.69	3.69	3.69	3.69	2.67	n/a
Maximum allowable consumption (ODP tonnes)			3.08	2.67	2.05	1.32	0.41	0.10	n/a
Agreed funding (US \$)	UNDP	Project costs	170,000	0	0	175,000	0	55,000	400,000
		Support costs	11,900	0	0	12,250	0	3,850	28,000
	UNEP	Project costs	150,000	0	0	155,800	0	6,200	312,000
		Support costs	19,500	0	0	20,254	0	806	40,560
Total project costs requested in principle (US \$)		Project costs	320,000	0	0	330,800	0	61,200	712,000
Total support costs requested in principle (US \$)		Support costs	31,400	0	0	32,504	0	4,656	68,560
Total funds requested in principle (US \$)		Project costs	351,400	0	0	363,304	0	65,856	780,560

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Kyrgyzstan, UNDP, as the lead implementing agency, has submitted to the 74th meeting of the Executive Committee stage II of the HCFC phase-out management plan (HPMP) at a total cost of US \$780,560, consisting of US \$400,000, plus agency support costs of US \$28,000 for UNDP, and US \$312,000, plus agency support costs of US \$40,560, for UNEP as originally submitted. The implementation of stage II of the HPMP will phase out 3.08 ODP tonnes of HCFCs resulting in the complete phase-out of HCFCs by 2020.
2. UNDP has also submitted a request for funding the first tranche of stage II of the HPMP at the amount of US \$351,400, consisting of US \$170,000, plus agency support costs of US \$11,900 for UNDP, and US \$150,000, plus agency support costs of US \$19,500 for UNEP as originally submitted, together with a progress report on the implementation of the second and final tranche of stage I of the HPMP¹.

HCFC consumption

3. The Government of Kyrgyzstan reported a consumption of 2.37 ODP tonnes of HCFC-22 in 2014 based on Customs data. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Kyrgyzstan (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014*	Baseline
Metric tonnes						
HCFC-22	53.10	53.80	52.90	60.40	43.11	57.40
HCFC-141b	5.96	0.00	0.00	0.00	0	6.61
HCFC-142b	2.19	0.00	0.00	10.30	0	2.60
Total (metric tonnes)	61.25	53.80	52.90	70.70	43.11	66.61
ODP tonnes						
HCFC-22	2.92	2.96	2.91	3.32	2.37	3.16
HCFC-141b	0.66	0.00	0.00	0.00	0	0.73
HCFC-142b	0.14	0.00	0.00	0.67	0	0.17
Total (ODP tonnes)	3.72	2.96	2.91	3.99	2.37	4.05

*Estimated HCFC consumption as submitted in the progress report in February 2015.

4. Since 2011, HCFC-141b has not been imported into the country and, since 2014 a refrigerant blend constituting a mixture of HCFC-22/HCFC-142b has also not been imported. As a result, the only HCFC consumed in the country is HCFC-22 used in the refrigeration servicing sector, including filling domestically assembled refrigeration and air-conditioning (RAC) equipment using imported components. The 2014 consumption is reported at 40 per cent below the baseline consumption of 4.1 ODP tonnes.
5. A recent survey showed an increase in the number of HCFC-based commercial and industrial equipment and a decline in HCFC-22 based air-conditioners, transport refrigeration, and smaller commercial equipment (about 24,000 units). HFC applications in refrigeration have increased by up to 25 per cent particularly in transport refrigeration and air-conditioners; and ammonia systems are being used in some commercial refrigeration applications.

Legal framework

6. The Government formalized a national legislation addressing import licensing and application of import quotas for HCFCs, and implemented a licensing system with the quota-based HCFC controls. The import quota is set by the State Agency of Environment Protection and Forestry (SAEPF). The procedure for licensing ODS imports and exports involves submission of an application to SAEPF and, if approved,

¹ Stage I of the HPMP was approved at the 63rd meeting to meet the 10 per cent reduction of HCFC consumption by 2015.

issuance of the license by the Ministry of Economy. Both agencies maintain records of the importers and exporters.

7. A Special Working Group has been established to address issues and facilitate the country's accession to the Customs Union with Armenia, Belarus, Kazakhstan and the Russian Federation, which is part of the Eurasian Economic Union (EAEU). Amendments to existing normative legal acts regarding ODS and ODS-containing goods, their circulation and movement within the territory of the Customs Union have been planned.

8. A draft regulation on safety requirements for the operation of refrigeration equipment, related to use of flammable refrigerants, has been prepared in line with the applicable European Union (EU) adopted provisions.

Progress report on the implementation of stage I of the HPMP

9. Eight training workshops to strengthen border control capacity were completed with 230 customs officers trained. As a direct result, three cases of unauthorized imports (two related to halons and one to HCFC-22) were prevented at the beginning of 2013.

10. Four training workshops on good service practices were completed with 151 refrigeration technicians trained; and 16 sets of servicing equipment were purchased and distributed. The refrigeration association, in partnership with the National Technical University, supported the training of 30 mechanical engineers as master trainers, who trained over 600 mechanical and electrical engineers through five vocational schools. The successful promotion of good practices in refrigeration had reduced the refrigerant leakage rate.

11. An assessment undertaken on the feasibility of locally assembling refrigeration equipment based on CO₂-refrigerant concluded that the approach, at that time, was not financially viable. However, a similar approach will be further explored in stage II.

12. As of February 2015, of the US \$88,000 approved for stage I (US \$52,800 for UNDP and US \$35,200 for UNEP), US \$82,138 (93 per cent) had been disbursed (US \$46,938 by UNDP and US \$35,200 by UNEP). The balance of US \$5,862 will be disbursed in 2015.

HCFC phase-out strategy and proposed activities

13. The Government is proposing to adopt the following HCFC phase-out schedule by 2020, (10 years ahead of the Montreal Protocol schedule), for the country to comply with obligations related to its membership with the Customs Union:

- (a) 35 per cent reduction from the baseline in 2016;
- (b) 67.5 per cent reduction in 2018; and
- (c) 97.5 per cent reduction in 2020 with a service tail of 2.5 per cent per annum until 2025.

14. Stage II of the HPMP foresees two components: regulatory actions and technical assistance in the refrigeration servicing sector as described below.

Regulatory actions

15. The following regulatory actions will be implemented:

- (a) Further strengthening control on imports by developing and adopting an electronic system, and maintaining a common Customs Union database;
- (b) Developing and implementing regulations to:
 - (i) Ban imports of HCFC-based equipment from 1 June 2015, and use of single-use refrigerant containers below 13.6 kg from 1 January 2016;
 - (ii) Adopt a multilateral agreement on the movement and recording of HCFCs and HCFC-based equipment in the trade operations with the member states of the Customs Union;
 - (iii) Strictly require service technicians to keep a logbook of service practices (i.e. times when equipment is serviced, amount of refrigerant used) and training completed; and
 - (iv) Promote the use of ozone-friendly refrigerants, including ammonia and CO₂.

16. The capacity of 100 customs and enforcement officers will be enhanced through training workshops and provision of refrigerant identifiers. Customs laboratories will be equipped to facilitate monitoring potential illegal ODS trade.

17. In addition, due consideration will be given during stage II to control imports of HFC and HFC-based equipment imports and their use.

Activities in the refrigeration servicing sector

18. Stage II of the HPMP will provide technicians the skills to allow them to transit to the use of natural refrigerants (i.e., ammonia and hydrocarbons). Information on how to improve energy efficiency of systems; safe handling of flammable and/or toxic refrigerants; and introduction of safety standards for the design, construction and installation of RAC equipment will be included in the technicians training curriculum. Development and implementation of safety standards to cover different aspects of the equipment, refrigerant used and servicing will be initiated. Training will be provided to 150 service technicians, 80 managers of service enterprises, and 50 building planners and architects, on these safety standards.

19. Stage II also includes the purchase and distribution of tool kits for technicians, in particular recovery and recycling machines to 11 servicing centres and individual entrepreneurs; establishment of one reclaim centre; procurement of training equipment to six vocational schools, and four training centres.

20. A pilot system for distribution of HCFC-22 to support the ban on import of single-use containers will be implemented. Through a centralized centre, distribution/sales of HCFCs will be done through special charging stations employing small, refillable containers.

21. A demonstration of alternative technologies through retrofit replacement is proposed in the later stage of the HPMP. The end-user incentive programme builds upon the experience in implementing a similar programme during the CFC phase-out. It will introduce drop-in non-HCFC refrigerants that will minimize retrofit costs and replacement of equipment. Incentives will be paid to participating enterprises, and the alternative refrigerants will be identified during the implementation through the refrigeration association.

22. Two pilot programmes on the use of natural refrigerants (CO₂, ammonia) in equipment locally assembled using imported components will be demonstrated. Two pilot sites are planned and performance in varying climatic conditions will be monitored. The main objective will be to demonstrate the feasibility of local assembly for use with low-global warming potential refrigerants.

Total cost of stage II of the HPMP

23. The total cost of the activities proposed in stage II of the HPMP amounts to US \$712,000 (excluding agency support costs). These activities will result in the phase-out of all remaining eligible consumption of HCFCs in the country. Detailed activities and cost breakdown are shown in Table 2.

Table 2. Overall cost of stage II of the HPMP for Kyrgyzstan

Description	Agency	Costs (US \$)
Updates in HCFC control frameworks	UNEP	96,000
Strengthening the capacity in management/prevention of illegal trade	UNEP	81,000
Strengthening the capacity in the refrigeration sector	UNEP	106,000
Equipment and tools for servicing centres/individual entrepreneurs	UNDP	80,000
Equipment and service tools for training centres and vocational schools	UNDP	120,000
HCFC manual distribution system	UNDP	20,000
End-user awareness and incentive component	UNDP	90,000
Demonstration of alternative technologies via local assembly	UNDP	90,000
Project management unit	UNEP	29,000
Total		712,000

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

24. In line with decision 70/21(e)(i), the Secretariat reviewed stage II of the HPMP for Kyrgyzstan on the basis of the criteria for funding HCFC phase-out in the consumption sector (decision 60/44), subsequent decisions on HPMPs and the 2015-2017 business plan of the Multilateral Fund.

Accelerated phase-out of HCFC by 2020

25. Stage II of the HPMP would accelerate the phase-out of all uses of HCFC by 2020. UNDP explained that the country will reap a number of economic benefits for joining the EAEU, *inter alia*, access to larger markets for local products, no import duties for trade, unconstrained movement of labour and capital, and high potential of large scale investments from member countries. With this, the country is committed to meet the Montreal Protocol targets earlier.

Proposed activities in stage II

Strengthening the legal framework to meet HCFC phase-out

26. UNDP informed the Secretariat that, in total, 29 regulatory laws and sub-laws will be amended and become effective between 2015 and 2017. In 2018 and 2019 the Government will develop restrictions on the import and use of HFCs.

27. As there are no customs borders between countries of the EAEU, Kyrgyzstan will need to change the system for shipment tracking; make relevant adjustments to the legislation; introduce a unified system to account for the usage of ODS; and introduce a common reporting form. Enforcement authorities will be involved in the monitoring of shipments of the HCFC and HCFC-based equipment.

Strengthening capacity in the servicing sector

28. In stage II, technicians training would focus not only on good practice but also in safe handling of flammable and toxic refrigerants. UNDP clarified that from August 2015 the EAEU will introduce new regulations based on EU standards for the safe operation and servicing of refrigeration equipment, and handling of flammable refrigerants which will require additional training to service technicians. The Government will also introduce mandatory certification of technicians working with natural refrigerants such as CO₂, ammonia and HC.

Improvement of vocational training capacity and HCFC management

29. UNDP explained that the HCFC-22 distribution system will operate at two locations to be selected from the list of qualified HCFC importing enterprises. This system will improve monitoring of HCFCs expected to be imported in larger-size containers from 2016, and reduce potential cases of illegal trade.

30. UNDP emphasised the need to equip vocational schools with multimedia tools (computers, etc.) as they have limited support and their current technical resource base is weak. These tools will attract more students to the vocational institutions for refrigeration servicing. The national ozone unit (NOU) will also establish a coordination mechanism to allow vocational schools to enter into agreements for internships/job placement with the existing refrigeration service centres.

Demonstration of alternative technologies

31. UNDP clarified that the current market prices and availability of natural refrigerants are not adequate for their introduction in the country. The Government plans to develop a strategy to promote these ozone-friendly refrigerants. There are also potential opportunities for technology transfer from the Russian Federation which is currently implementing a Global Environment Facility (GEF)-UNIDO programme on avoiding HFCs during HCFC phase-out. The NOU also observed that there seems to be an influx of propane-based domestic air-conditioning equipment which is cheaper than HCFC and HFC-based equipment.

Impact on the climate

32. The proposed activities in the servicing sector, which include better containment of refrigerants through training and equipment and two pilot programmes on the use of low GWP refrigerants in equipment locally assembled, among others, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Kyrgyzstan, in particular its efforts to improve servicing practices; refrigerant recovery and reuse indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere therefore resulting in benefits on climate. However, at this time, a more accurate quantitatively assessment on the impact on climate cannot be conducted. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

2015-2020 business plan of the Multilateral Fund

33. UNDP and UNEP are requesting US \$712,000, plus agency support costs, for the implementation of stage II of the HPMP (2015-2020). The total funding requested for stage II exceeds the total amount in the business plan for UNDP and UNEP (US \$139,062).

34. Based on the HCFC baseline consumption of 66 metric tonnes (mt), Kyrgyzstan's allocation for a total phase-out would be US \$800,000. The amount requested (US \$712,000) by the Government for the phase-out of the remaining 55 mt is in line with decision 60/44, noting that US \$88,000 had been approved for stage I of the HPMP.

Draft agreement

35. A draft Agreement between the Government of Kyrgyzstan and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

36. The Executive Committee may wish to consider:

(a) Noting:

- (i) The progress report on the implementation of the second and final tranche of stage I of the HCFC phase-out management plan (HPMP) for Kyrgyzstan;
- (ii) With appreciation the submission of stage II of the HPMP for the Government of Kyrgyzstan to the 74th meeting;
- (iii) With appreciation the commitment by the Government of Kyrgyzstan to accelerate the reduction of its HCFC consumption by 35 per cent reduction from the baseline in 2016, 67.5 per cent in 2018, and 97.5 per cent in 2020, with service tail of 2.5 per cent per annum until 2025; and

(b) Approving:

- (i) In principle, stage II of the HPMP for Kyrgyzstan for the period 2015 to 2020 for a complete phase-out of HCFC consumption (with a remaining service tail of 2.5 per cent per annum until 2025), at the amount of US \$780,560 consisting of US \$400,000, plus agency support costs of US \$28,000 for UNDP; and US \$312,000, plus agency support costs of US \$40,560 for UNEP;
- (ii) The draft Agreement between the Government of Kyrgyzstan and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP contained in Annex I to the present document; and
- (iii) The first tranche of stage II of the HPMP for Kyrgyzstan, and the corresponding 2015-2017 tranche implementation plans, at the amount of US \$351,400, consisting of US \$170,000, plus agency support costs of US \$11,900 for UNDP, and US \$150,000, plus agency support costs of US \$19,500 for UNEP, on the understanding that if Kyrgyzstan were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF KYRGYZSTAN AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN

1. This Agreement represents the understanding of the Government of Kyrgyzstan (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 0.10 ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedule.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in 4.1.3, 4.2.3 and 4.3.3 (remaining consumption eligible for funding).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A 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 agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
 - (b) That the meeting of these Targets has been independently verified, unless the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

- (d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Changes which would modify any clause of this Agreement;
 - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and
 - (iv) Provision of funding for programmes or activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche;
- (b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report; and
- (c) Any remaining funds held by the bilateral or implementing agencies or the country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector included in the Plan, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and the relevant bilateral and/or implementing agencies will take into consideration decision 72/41 during the implementation of the Plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNDP has agreed to be the lead implementing agency (the “Lead IA”) and UNEP has agreed to be the cooperating implementing agency (the “Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be

carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA and/or Cooperating IA taking part in this Agreement.

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

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kilogram of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once decisions are taken, the specific case of not compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

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

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

15. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	3.2
HCFC-141b	C	I	0.7
HCFC-142b	C	I	0.2
Total			4.1

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2015	2016	2017	2018	2019	2020*	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	3.69	3.69	3.69	3.69	3.69	2.67	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	3.08	2.67	2.05	1.32	0.41	0.10	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	170,000	0	0	175,000	0	55,000	400,000
2.2	Support costs for Lead IA (US \$)	11,900	0	0	12,250	0	3,850	28,000
2.3	Cooperating IA (UNEP) agreed funding (US \$)	150,000	0	0	155,800	0	6,200	312,000
2.4	Support costs for Cooperating IA (US \$)	19,500	0	0	20,254	0	806	40,560
3.1	Total agreed funding (US \$)	320,000	0	0	330,800	0	61,200	712,000
3.2	Total support costs (US \$)	31,400	0	0	32,504	0	4,656	68,560
3.3	Total agreed costs (US \$)	351,400	0	0	363,304	0	65,856	780,560
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)							2.88
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)							0.32
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							0
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)							0
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)							0.70
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)							0
4.3.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)							0.20
4.3.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)							0
4.3.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)							0

*Remaining for service tail up to 2025 (0.10 ODP tonnes per year).

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

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

- (a) A narrative report, with data provided by calendar year, regarding the progress since the year prior to the previous report, reflecting the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include ODS phase-out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information on activities in the current year;
- (b) An independent verification report of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken until and including the year of the planned submission of the next tranche request, highlighting the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan that are foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), the Tranche Implementation Plan and any changes to the overall plan, and will cover the same time periods and activities; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

2. In the event that in a particular year more than one stage of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
- (b) If the stages under implementation have different HCFC consumption targets in a particular year, the lower HCFC consumption target will be used as reference for compliance with the HPMP Agreements and for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Centre (NOC), operating under the direction of the Interdepartmental Commission on Ozone issues will continue to act during stage II as the focal point for HPMP project co-ordination and management. This activity will be directly undertaken by experienced project managers acting under the direction of the Head of the NOC who also acts as the national focal point on the Montreal Protocol. The work will be undertaken with a high level of stakeholder consultation with various Government agencies, external stakeholders and the general public.

2. Implementation will be undertaken under the continued supervision of the Interdepartmental Commission on Ozone issues. It will involve the Lead IA throughout the HPMP and supervising the project's investment component. The Cooperating IA will act as a supporting implementing agency for non-investment activities associated with legislation and technical capacity strengthening. These agencies will utilize the established procedures governing procurement, financial management, reporting and monitoring of the relevant implementing agency and international funding facilities, specifically the Multilateral Fund. Implementation will be further supported by various administrative and service bodies within the Government, international and national consultants, suppliers of equipment and services, and beneficiary enterprises.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
 - (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
 - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
 - (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

- (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the Cooperating IA, the allocation of the reductions to the different budget items and to the funding of the Lead IA and each 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.

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

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the Plan, including at least the following:

- (a) Providing assistance for policy development when required;
- (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors related to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.
