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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: KYRGYZSTAN

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

Phase-out

- HCFC phase-out management plan (stage I, first tranche)

UNDP/UNEP

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
KYRGYZSTAN**

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (stage I)	UNDP (lead), UNEP

(II) LATEST ARTICLE 7 DATA	Year: 2009	4.4 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2009		
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b			0.8						0.80
HCFC-142b			0.2						0.19
HCFC-22				1.3	2.1				3.40

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline (estimate):	4.42	Starting point for sustained aggregate reductions:	4.42
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	3.98

(V) BUSINESS PLAN		2011	2012	2013	2014	Total
UNDP	ODS phase-out (ODP tonnes)	0.1	0.1	0.1	0	0.3
	Funding (US \$)	19,424	19,424	19,424	6,475	64,747
UNEP	ODS phase-out (ODP tonnes)	0.1			0.1	0.2
	Funding (US \$)	40,000			5,000	45,000

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits (estimate)			n/a	n/a	4.42	4.42	3.98	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	4.42	4.42	3.98	n/a
Project costs requested in principle (US \$)	UNDP	Project costs	47,520	-	-	5,280	-	52,800
		Support costs	4,277	-	-	475	-	4,752
	UNEP	Project costs	31,680	-	-	3,520	-	35,200
		Support costs	4,118	-	-	458	-	4,576
Total project costs requested in principle (US \$)			79,200	-	-	8,800	-	88,000
Total support costs requested in principle (US \$)			8,395	-	-	933	-	9,328
Total funds requested in principle (US \$)			87,595	-	-	9,733	-	97,328

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	47,520	4,277
UNEP	31,680	4,118

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Kyrgyzstan UNDP, as the lead implementing agency, has submitted to the 63rd Meeting of the Executive Committee the HCFC phase-out management plan (HPMP) at a total cost as originally submitted, of US \$88,000 plus agency support costs of US \$9,328. The submission covers the first stage of the HPMP to meet the freeze on HCFCs by 2013 and the 10 per cent reduction on HCFC consumption from its baseline level by 2015. The HPMP will be implemented jointly with UNEP. The Government of Kyrgyzstan is requesting US \$52,800 plus support costs of US \$4,752 for UNDP and US \$35,200 plus support costs of US \$4,576 for UNEP for the first tranche of this HPMP.

Background

ODS regulations

2. Kyrgyzstan has ratified the Vienna Convention, the Montreal Protocol and all its amendments. It has an overall policy to meet the phase-out of ozone depleting substances (ODS) formalized through national legislation and other supporting government resolutions. These have been in place since 2004, and impose general regulations on ODS management and conditions for import/export including a licensing system covering all ODS, and formal instructions issued by responsible authorities on phase-out milestones. Regulations are also currently in place requiring state certification of specialists working with CFCs, HCFCs, HFCs, natural refrigerants, and pesticide alternatives to methyl bromide including a requirement for completing refresher training every two years.

3. Since 2004, Kyrgyzstan has had in place a licensing system for HCFC imports. However the quota system is not yet in place and will be immediately integrated into the current legislation once the HPMP is approved. This quota system will include the control of HCFC-based equipment as well as bulk HCFCs.

4. The overall supervision of activities related to ozone protection issues is provided by the Interdepartmental Commission on Ozone Issues whose main responsibility is the coordination of activities leading to the implementation of the earlier country programme. This commission was established in 2002 when the country programme was approved. The coordination and administration of daily matters related to the Montreal Protocol and national programmes related to its implementation is undertaken by the National Ozone Centre (NOC), which works under the supervision of the Interdepartmental Commission on Ozone Issues. In addition to overall coordination of national initiatives, it is also responsible for reporting to the Ozone Secretariat, acting as the national focal point for Montreal Protocol matters and international assistance programmes.

HCFC consumption

5. Kyrgyzstan does not produce any HCFCs and imports these for its requirements. HCFCs effectively replaced CFC-12 consumption by HCFC-22 in the service sector. HCFCs are mainly imported from China, India, and United Arab Emirates through registered importers. Consumption in the country is primarily in HCFC-22 and HCFC-141b. Fully formulated polyols based on HCFC-141b has been mainly imported from Germany, but have also been supplied by a systems house in Russia. The import of HCFC-141b is being discontinued in 2010 and replaced by an HFC-based product imported from the European Union.

6. The main consumption of HCFCs in Kyrgyzstan is in the refrigeration servicing sector, including filling refrigeration and air conditioning (RAC) equipment that has been assembled domestically using imported components. In 2008 and 2009, there was some use of HCFC-141b in imported fully formulated polyol and HCFC-142b in a solvent application, but both applications were discontinued by 2010.

Therefore for purposes of the HPMP, all future consumption from 2011 onward is assumed to be HCFC-22 only. Table 1 shows the 2003-2009 level of HCFC consumption in Kyrgyzstan.

Table 1: HCFC level of consumption in Kyrgyzstan

Year	Article 7 data (tonnes)							
	HCFC-22		HCFC-141b		HCFC-142b		Total	
	MT	ODP	MT	ODP	MT	ODP	MT	ODP
2003	9.6	0.5	0	0	0	0	9.6	0.5
2004	12.9	0.71	0	0	0	0	12.9	0.71
2005	12.6	0.69	0	0	0	0	12.6	0.69
2006	15.1	0.83	0	0	0	0	15.1	0.83
2007	24.88	1.37	2	0.22	0	0	26.88	1.59
2008	37	2.04	47.22	5.19	2.5	0.16	86.72	7.4
2009	61.76	3.40	7.26	0.80	3	0.19	72.02	4.39

7. In the HPMP, Kyrgyzstan used conservative Gross Domestic Product (GDP) growth rates from international references to calculate a forecast of HCFC use up to 2016, using as a reference the actual reported consumption in 2009. The table below provides the information on this projected forecast consumption:

Table 2: Projected HCFC consumption in mt

Substance	Forecast HCFC-22 Consumption (mt)							
	2009*	2010	2011	2012	2013	2014	2015	2016
HCFC-22	61.76	62.47	64.80	68.85	73.70	78.90	84.50	90.51
HCFC-141b + HCFC-142b	10.26	10.26	0	0	0	0	0	0
Total consumption (mt)	72.02	72.73	64.80	68.85	73.70	78.90	84.50	90.51
Total consumption (ODP)	4.39	4.44	3.56	3.79	4.05	4.34	4.65	4.98

*actual consumption

Calculation of consumption baseline

8. Kyrgyzstan's estimated HCFC baseline for compliance is calculated using the average of actual reported 2009 consumption of 72.02 mt (4.39 ODP tonnes) based on the Article 7 data submitted by the country and estimated consumption for 2010 of 72.73 mt (4.44 ODP tonnes) as per Tables 1 and 2 above. Based on this, the HCFC consumption baseline for Kyrgyzstan is estimated at 72.37 mt (4.42 ODP tonnes).

Refrigeration Servicing Sector

9. In Kyrgyzstan, the dominant use of HCFCs is in the servicing of refrigeration and air-conditioning equipment which is growing due to the general economic growth. All HCFC-based equipment uses HCFC-22 only, based on absence of import data on blends and information from end users and service companies. There are approximately over 1,000 formally-trained technicians working in the refrigeration servicing sector, training of which was provided through the refrigeration management plan (RMP) and the terminal phase-out management plan (TPMP). In addition, 114 customs and enforcement specialists were trained and issued with course completion certificates. They had practical lessons on the identification of ODS, and 31 units of ODS detection equipment were distributed. In 2005, a centre for training of refrigeration specialists was established and provided with the equipment necessary for training refrigeration service technicians. Typically, large refrigeration and air-conditioning installation companies and service establishments have their own training programme for technicians and

are provided with servicing tools and accessories, which is not the case for small service shops. HCFC-22 is currently not recovered and reclaimed in the country.

10. The HPMP also identified other sectors that use HCFCs, namely for assembly and installation of refrigeration equipment and for solvents. The consumption of HCFCs by the assembly sector is considered as part of the servicing sector as the activities mainly target filling and installation of HCFC-based refrigeration packages assembled from imported components. No domestic manufacture of equipment or its components takes place in the country, therefore no activities specific to this sector are included in the HPMP.

11. Table 3 below summarizes the sectoral distribution of HCFC use in Kyrgyzstan.

Table 3: Summary of HCFC consumption in the servicing sector

Refrigeration Servicing (End User and Service Provider Surveys)			
Equipment Application Category	Units	HCFC Bank (mt)	Annual Service Req. (mt)
Commercial refrigeration equipment with cooling capacity up to 3000 watt	17,000	75.00	11.00
Commercial/Industrial refrigeration equipment with cooling capacity above 3000 watt	1,316	36.70	9.87
Air conditioners	75,000	32.90	15.00
Refrigerators on trucks	800	6.40	2.56
Total	94,116	151.00	38.43
Other Consumption			
	2007 (mt)	2008 (mt)	2009 (mt)
Service of assembled equipment with HCFC-22	6.62	12.1	23.27
Imported Fully Formulated Polyol (Contained HCFC-141b)	2.00 (0.34)	47.2 (7.08)	48.4 (7.26)
Solvent Sector Consumption (HCFC-142b)	-	2.50	3.00

HCFC phase-out strategy and costs

12. The Government of Kyrgyzstan submitted this HPMP to cover stage I of its compliance targets under the Montreal Protocol, and will aim to freeze HCFC consumption by 2013 and reduce this by 10 per cent in 2015. The implementation plan has three components: (i) legal and regulatory action; (ii) technical capacity strengthening through training of customs and refrigeration technicians; and (iii) investment.

13. In order to meet the compliance targets under stage I, the Government proposes to introduce HCFC import quotas as soon as possible. The quota system is envisaged to allow importation of only HCFC-22 and other HCFC blends starting 2011, as the imports of HCFC-141b and HCFC-142b would have ended in 2010.

14. The activities will focus on the servicing sector and foresee the continued training of technicians in good practice, with the objective of strictly enforcing a technician registration and certification programme. It will promote the improvement of servicing practices using HCFC-22, and the recovery, recycling and reclamation of refrigerants.

15. Activities related to customs training will also be implemented in order to ensure that the strengthened HCFC legislation can be implemented and enforced very strictly. This component will also

enhance the capacity of customs and other law enforcement officers to monitor, control and identify HCFCs and HCFC containing equipment, as well as the capacity of the trainers and customs training schools through the provision of necessary training materials and identification tool kits.

16. In addition to the training of technicians and customs officers, the investment component will address the physical capacity requirements associated with the urgent need to upgrade the country's refrigeration servicing capability. The initial focus during Stage 1 would be to ensure that additional refrigerant recovery equipment and tools are supplied to support the training of these technicians. At present it is estimated that less than 50 per cent of the qualified technicians are adequately equipped with some basic recycling capability.

17. As part of the HPMP strategy, the Government will also ensure the consideration of broader global environmental issues, such as climate change and sound chemicals management as part of this framework. During implementation, the NOC will ensure that authorities responsible for climate change policy are involved as key institutional stakeholders, and that efforts will be made to guarantee the potential introduction of refrigerant management regulations that would be extended to control HFCs and encourage use of other low-global warming refrigerants.

Cost of the HPMP

18. The total overall cost of stage I of the HPMP for Kyrgyzstan has been estimated at US \$88,000 to achieve the freeze in HCFC consumption by 2013 and the 10 per cent reduction in the consumption by 2015. The components included in the HPMP are listed below:

Table 4: Total cost of the HPMP for Kyrgyzstan (US \$)

Activity	UNEP (US \$)	UNDP (US \$)	Total (US \$)	Time frame
Legal and regulatory action	5,200			2011-15
Strengthening of Technical capacity				
Customs/Environmental training	12,500			2011-15
Training of refrigeration service technicians	12,500			2011-15
Project Monitoring	5,000			2011-15
Sub-total	35,200		35,200	
Initial Development of an HCFC Refrigerant Management System		52,800	52,800	2011-15
TOTAL	35,200	52,800	88,000	

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

19. The Secretariat reviewed the HPMP for Kyrgyzstan in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd Meeting and the 2011-2014 business plan of the Multilateral Fund.

Issues related to HCFC consumption

20. The Secretariat sought clarification from UNDP on the projected HCFC consumption in the country (Table 2) and the assumptions used to determine the growth rates up to 2016, as the project proposal had used three scenarios using different growth rates from various sources. The agency indicated that using three scenarios enabled the Government to examine the various options clearly and to come to a more realistic figure for the forecast. The Government used GDP growth rates from international sources as the final basis for calculation. These were used as they were lower than the official government growth rates over the next 3 to 5 years, therefore enabling the country to opt for a more realistic and conservative estimate of the HCFC consumption forecast. Based on this, the 2010 HCFC consumption was estimated to be 4.44 ODP tonnes (72.73 mt) compared to the actual 2009 reported figure of 4.39 ODP tonnes (72.02 mt). This resulted in a baseline calculated to be 4.42 ODP tonnes (72.37 mt).

21. The Secretariat also queried the circumstances surrounding the consumption of HCFC-141b, which had been reported as part of consumption in 2009 and included in the estimate for 2010. UNDP explained that during the HPMP preparation, the enterprise that uses HCFC-141b in polyol blends had already informed the Government that it was going to convert to alternatives, which would not contain ozone-depleting chemicals after 2010. Therefore, while UNDP had received funds for the preparation of an individual investment project for this specific enterprise, the Government had requested that this be cancelled as the company was converting on its own. This justified why the current HPMP covers only the use of HCFC-22 for servicing refrigeration equipment.

Starting point for aggregate reduction in HCFC consumption

22. The Government of Kyrgyzstan agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of consumption in 2009 and 2010 which has been estimated at 4.42 ODP tonnes. The business plan indicated a baseline of 4.07 ODP tonnes.

Technical and cost issues

23. The Secretariat raised some issues regarding the changes in the legal framework for the management of HCFCs vis-à-vis funding already provided for policy development during HPMP preparation, and on whether the current ODS licensing system includes controls on the import of equipment containing and using HCFCs. UNDP indicated that the current system licenses imports of HCFC chemicals and HCFC containing equipment. UNDP also emphasised that HCFC import quotas are important instruments to control the growth of HCFC consumption in the country. These import quotas will be established once the official HCFC baseline is set, and when the HPMP implementation commences. The HPMP will also be supported by a ban, effective from 1 January 2012, on the import of HCFC-based fully formulated polyols.

24. The HPMP foresees activities in the servicing sector such as training of both customs and refrigeration technicians, and the provision of basic equipment and tools to servicing technicians to enable the framework for refrigerant management to be in place. UNDP indicated that the Government believes that these initial actions will allow the country to meet the first set of control measures towards HCFC phase-out. The Secretariat raised some issues focusing in particular on the overall strategy for meeting compliance with HCFC reductions to be followed by the country. It noted that the Government, while it had initially proposed to accelerate phase-out, has now moved towards a more conservative approach focusing on HCFC policy and enforcement and in providing only basic tools. In discussions with UNDP, it indicated that the Government wishes to follow this approach as it believes that the activities currently planned will allow a strong foundation and framework to be put in place that will set the stage for the next phase. UNDP indicated that according to the Government, this conservative approach draws from the completed activities during CFC phase-out.

25. In discussing the individual activities and the corresponding total cost of the initial HPMP submission with UNEP and UNDP, the Secretariat noted that the funding requested by UNDP for stage I of the HPMP is consistent with decision 60/44, which set the funding levels for countries based on their HCFC consumption equal to or below 360 mt in the refrigeration servicing sector only.

26. After further discussion of the activities to be certain that these would allow the country to comply with the phase-out measures of the Montreal Protocol, the requested level of funding for the implementation of stage I of the HPMP has been agreed as submitted at US \$88,000 excluding agencies' support costs. In considering decision 62/17 where the Executive Committee decided, *inter alia*, to ensure that the last tranche comprised 10 per cent of the total funding for the refrigeration servicing sector in the agreement and was scheduled for the last year of the plan the Secretariat agreed, on an exceptional basis with UNDP, to recommend only two tranches for this HPMP, and schedule the last tranche in 2014 rather than 2015. This is because the HPMP only covers the 10 per cent reduction by 2015 and the limited remaining funds are required to ensure that the country completes its activities.

Impact on the climate

27. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogram (kg) of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO₂-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Kyrgyzstan, in particular its strong regulatory interventions, and its above-average efforts to improve servicing practices and reduce associated refrigerant emissions, indicate that it is likely that the country will achieve the level of 1,530.5 CO₂-equivalent tonnes that would not be emitted into the atmosphere as estimated in the 2011-2014 business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. 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.

2011-2014 business plan of the Multilateral Fund

28. UNDP and UNEP are requesting US \$88,000 plus support costs for implementation of stage I of the HPMP. The total value requested for the period 2011-2014 of US \$97,328 including support costs is within the total amount in the business plan.

29. Based on the estimated HCFC baseline consumption in the servicing sector of 72.57 mt, Kyrgyzstan's allocation up to the 2015 phase-out should be US \$88,000 in line with decision 60/44. This request is therefore within the relevant cost guidelines.

Draft agreement

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

Co-financing

31. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, the HPMP did not provide any information on co-financing. UNDP explained that activities for this first phase will be done solely through the funds requested with some in-kind contribution from the Government during the implementation. Other co-financing options continue to be explored for later stages.

RECOMMENDATION

32. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Kyrgyzstan for the period 2011 to 2015, at the amount of US \$97,328, comprising of US \$52,800 and agency support costs of US \$4,752 for UNDP, and US \$35,200 and agency support costs of US \$4,576 for UNEP;
- (b) Noting that the Government of Kyrgyzstan had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 4.42 ODP tonnes, calculated using actual consumption for 2009 and estimated consumption for 2010;
- (c) Approving the draft Agreement between the Government of Kyrgyzstan and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the draft Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting levels of maximum allowable consumption, and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted; and
- (e) Approving the first tranche of stage I of the HPMP for Kyrgyzstan, and the corresponding implementation plan, at the amount of US \$87,595 comprising of US \$47,520 and agency support costs of US \$4,277 for UNDP, and US \$31,680 and agency support costs of US \$4,118 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF KYRGYZSTAN AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

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 3.98 ODP tonnes prior to 1 January 2015 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.
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 which exceeds the level defined in row 1.2 of Appendix 2-A (“maximum allowable total consumption of Annex C, Group I Substances”; the Target) 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 which exceeds the level defined in row 4.1.3 (remaining eligible consumption).
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 (“Targets and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country will accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) of this Agreement as described in subparagraph 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 all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted tranche implementation reports 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 and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) 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 plan in accordance with their 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. 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 smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. 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 Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.
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; and
- (b) The Country and the bilateral and implementing agencies involved 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 fulfil the obligations under this Agreement. UNDP has agreed to be the lead implementing agency (the “Lead IA”) and UNEP 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 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 any of the agencies taking part in this Agreement.
10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, 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 have entered into a formal agreement regarding planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co-ordination meetings. 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 amounts set out in Appendix 7-A in respect of each ODP tonne 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 these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

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 information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. 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 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	4.42

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2010	2011	2012	2013	2014	2015	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	4.42	4.42	3.98	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	4.42	4.42	3.98	n/a	
2.1	Lead IA UNDP agreed funding (US \$)	-	47,520	-	-	5,280	-	52,800	
2.2	Support costs for Lead IA(US \$) 9%	-	4,277	-	-	475	-	4,752	
2.3	Cooperating IA UNEP agreed funding (US \$)	-	31,680	-	-	3,520	-	35,200	
2.4	Support costs for Cooperating IA(US \$) 13%	-	4,118	-	-	458	-	4,576	
3.1	Total agreed funding (US \$)	-	79,200	-	-	8,800	-	88,000	
3.2	Total support cost (US \$)	-	8,395	-	-	933	-	9,328	
3.3	Total agreed costs (US \$)	-	87,595	-	-	9,733	-	97,328	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)								0.44
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								3.98

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than 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 Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the Country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, 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 about activities in the current year;
 - (b) A verification report of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, 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 in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall

plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;

- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. 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), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the Country and the Lead IA; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Kyrgyz Republic has demonstrated experience in the successful implementation of its Country Programme to date. The capacity that has undertaken this within the Government, specifically the National Ozone Centre (NOC), operating under the direction of the Interdepartmental Commission on Ozone Issues will continue to act as the focal point for HPMP project coordination 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 Montreal Protocol and various international bodies involved with its implementation globally. The work will be undertaken with a high level of stakeholder consultation both with various government agencies and with external stakeholders and the general public.

2. Implementation will be undertaken under the continued supervision of Interdepartmental Commission on Ozone Issues. It will involve UNDP acting as the lead implementing agency throughout the HPMP and supervising the project's investment component. UNEP 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. These can be specified in the project document further, but include 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 phase-out plan;
- (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;

- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual 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 tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports 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 IAs, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
- (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 organization 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 COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities can be specified in the respective project document further, but include at least the following:

- (a) Providing policy development assistance 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.
