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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: TIMOR-LESTE

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

Phase-out

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

UNEP/UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Timor-Leste**

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

(II) LATEST ARTICLE 7 DATA	Year: 2009	0.52 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline (estimate):	0.53	Starting point for sustained aggregate reductions:	0.53
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	0.48

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Funding (US \$)	5,815	5,815	5,815	1,938	0	0	0	0	0	0	19,385
UNEP	ODS phase-out (ODP tonnes)	0.0	0.0	0.0	0.0	0.0						0.0
	Funding (US \$)	118,650	76,275	53,675	36,725	25,425						310,750

(VI) PROJECT DATA				2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits (estimate)				n/a	n/a	0.53	0.53	0.48	
Maximum allowable consumption (ODP tonnes)				n/a	n/a	0.53	0.53	0.48	
Project Costs requested in principle(US\$)	UNDP	Project costs	96,120					10,680	106,800
		Support costs	8,651					961	9,612
	UNEP	Project costs	93,500		55,000			16,400	164,900
		Support costs	12,155		7,150			2,132	21,437
Total project costs requested in principle (US \$)				189,620	0	55,000	0	27,080	271,700
Total support costs requested in principle (US \$)				20,806	0	7,150	0	3,093	31,049
Total funds requested in principle (US \$)				210,426	0	62,150	0	30,173	302,749

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	96,120	8,651
UNEP	93,500	12,155

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 Timor-Leste UNEP, as the lead implementing agency, has submitted to the 63rd Meeting of the Executive Committee a HCFC and CFC phase-out management plan (HPMP) at a total cost as originally submitted, of US \$419,200 plus agency support costs of US \$35,750 for UNEP and US \$12,978 for UNDP, for the implementation of stage I of the HPMP. The HPMP covers strategies and activities to achieve the 10 per cent reduction in HCFC consumption by 2015.

2. The first tranche for stage I being requested at this meeting amounts to US \$105,000 plus agency support of US \$13,650 for UNEP and US \$119,200 plus agency support cost of US \$10,728 for UNDP, as originally submitted.

Background

3. Timor-Leste became an independent country in 2002. In late 1999, about 70 per cent of the economic infrastructure of Timor-Leste was badly damaged by Indonesian troops and anti-independence militias. From 1999 to 2005, intensive international assistance led by the United Nations was provided to the country to rebuild its infrastructure and reinstate social stability. Timor-Leste continues to face challenges in reducing poverty and developing its economy.

ODS regulations

4. Timor-Leste acceded to the Montreal Protocol and its amendments only in September 2009. The Ministry of Economy and Development is the national body responsible for the implementation of the Montreal Protocol, and the National Ozone Unit (NOU) was established under the Ministry as a focal point for the coordination of all ODS phase-out activities. Timor-Leste does not have any laws as yet that apply to environmental issues; however, in their absence, Indonesian laws (in effect on 25 October 1999) are technically applicable. But there is resistance to the application of Indonesian laws and there is a need to develop specific laws and regulations to control the import and use of ODS in the country.

5. Timor-Leste has established neither any regulations nor a licensing system for HCFC import. In the country programme (CP), it was indicated that it might be possible for the Ministry of Tourist, Commerce and Industry to enact a Decree Law to control the import of ODS. In order to comply with the Montreal Protocol control measures on ODS phase-out, the Secretariat of State for Environment, Ministry of Economy and Development issued a Government Notification (GN) (MED/NOU/2010) to ban the import of ODS and ODS-based equipment with effect from 1st December 2010. The Government of Timor-Leste plans to establish an import/export licensing policy and quota system to control the import of HCFCs. The effort to establish such import/export licensing policy for HCFCs is ongoing. It is expected that the licensing system or the GN procedure will be established by 2013.

ODS consumption

6. All HCFCs used in Timor-Leste are imported, as the country does not have any HCFC production capacity. The survey undertaken during the HPMP preparation showed that HCFC-22 is the only Annex C, Group I substance being consumed, and it is only used in the refrigeration and air conditioning (RAC) service sector. In 2009 the total refrigerant consumption in Timor-Leste was 15 metric tonnes, of which HCFCs accounted for 9.52 metric tonnes, or 63.5 per cent.

7. Timor-Leste has not implemented any CFC phase-out project supported by the Multilateral Fund. In its Article 7 data, Timor-Leste also reported CFC consumption. The survey showed that some refrigeration equipment, using CFC-12 and CFC-115 (contained in R-502 blend), is still in use. Of the

total amount of refrigerants (including non-ODS) used in the country, CFCs accounted for 0.38 metric tonnes, or 2.5 per cent. Table 1 shows the level of HCFC and CFC consumption in Timor-Leste.

Table 1: HCFC-22 level of consumption (Article 7)

Substance	Tonnes	2007	2008	2009
CFC-12	Metric	2.30	1.14	0.34
	ODP	2.30	1.14	0.34
CFC-115 (R-502)	Metric	0.00	0.00	0.04
	ODP	0.00	0.00	0.03
Total Annex A	Metric	2.30	1.14	0.38
	ODP	2.30	1.14	0.37
HCFC-22	Metric	7.94	8.16	9.52
	ODP	0.44	0.45	0.52
Total CFCs and HCFCs	Metric	10.24	9.30	9.90
	ODP	2.74	1.59	0.89

Sectoral distribution of HCFCs and CFCs

8. Timor-Leste is in the process of building up its infrastructure and establishing good public governance. There is no official system to provide information on import and sectoral use of HCFCs and CFCs. The survey undertaken covered all the identifiable retailers of refrigerants and RAC equipment, end users and service technicians. The survey showed that all the HCFCs and CFCs are used for servicing RAC equipment. The total number of RAC units using HCFCs and CFCs installed was estimated at 6,110 units in 2009 as shown in Table 2. The average charge for different types of equipment was estimated, and used to calculate the total installed capacity. The average annual leakage rate was estimated as 100 per cent. This is because most technicians are not properly trained and their workmanship is poor. In addition, the corrosive environment causes damage to the equipment, which leads to high servicing consumption.

Table 2: HCFCs and CFCs consumption by sector

Type	Total number of units	Total charge of refrigerant (tonnes)				Total service need (tonnes)	
		CFC-12		HCFC-22		mt	ODP t
		mt	ODP t	mt	ODP t		
ACs	6,000	-	-	6	0.33	6	0.33
Other refrigeration equipment *	110	0.44	0.44	-	-	0.44	0.44
Total	6,110	0.44	0.44	6	0.33	6.44	0.77

*MAC, refrigerators, cold rooms, freezers, refrigerated containers, ice machines potentially using CFCs

9. The import of HCFC-based equipment into Timor-Leste has been increasing and is expected to grow continuously until 2013. This would lead to a growth in HCFC consumption. The HCFC consumption in 2010 was estimated at 9.75 metric tonnes (0.54 ODP tonnes) based on the actual imports and expected imports for the rest of the year. Timor-Leste forecast its future HCFC consumption at a 1 per cent annual growth rate. Table 3 below provides a summary of the forecast HCFC consumption in Timor-Leste.

Table 3: Forecast consumption of HCFC-22

		2009*	2010	2011	2012	2013	2014	2015
Constrained HCFC consumption	MT	9.52	9.75	9.86	9.86	9.64	9.64	8.67
	ODP	0.52	0.54	0.54	0.54	0.53	0.53	0.48
Unconstrained HCFC consumption	MT	9.52	9.75	9.86	9.96	10.06	10.16	10.26
	ODP	0.52	0.54	0.54	0.55	0.55	0.56	0.56

*2009 actual reported Article 7 data

HCFC consumption baseline

10. The estimated baseline for HCFC consumption is calculated at 9.64 metric tonnes (0.53 ODP tonnes) using the average of the reported 2009 consumption of 9.52 metric tonnes (0.52 ODP tonnes) and the estimated 2010 consumption of 9.75 metric tonnes (0.54 ODP tonnes).

HCFC phase-out strategy

11. The Government of Timor-Leste is proposing to follow the Montreal Protocol schedule and adopt a staged approach to achieve the complete phase-out of HCFCs by 2030. The current submission is to achieve a 10 per cent reduction by 2015, and focuses mainly on activities in the servicing sector.

12. In stage I of the HPMP, Timor-Leste will continue its effort in developing legislation, regulations and licensing systems to support the ban on ODS and to control the import of HCFCs following the reduction schedule in the Montreal Protocol. The country will reduce the demand for HCFCs for servicing of existing equipment through refrigerant recovery and reuse and by strengthening training of technicians and building their capacity for better service practices. The summary of activities and proposed implementation period is shown in Table 4.

Table 4: Specific activities of the HPMP and proposed period of implementation

Programme component	Description of activities	Implementation period
Legislation	Establishing legislation to introduce license system for HCFCs import; supporting the ban of ODS and ODS based equipment	2011
	Setting import quota for HCFCs and implementing quota system according to reduction targets	2013-2015
Capacity building	Training of trainers for customs officers and service technicians	2011
	Training for customs officers on law enforcement, training of technicians on good service practice and retrofitting	2012-2015
Communication	Public awareness and information programmes on reduction of HCFCs	2011-2015
Investment activities	Provision of identifiers, equipment and tools for training, equipment for refrigerant recovery and reuse	2011
Project management and monitoring	Technical support to NOU on project management	2011
	Project coordination, monitoring and reporting	2011-2015

Cost of the HPMP

13. The total cost of stage I of the HPMP for Timor-Leste has been estimated at US \$419,200 as originally submitted. This will achieve a 10 per cent reduction in HCFC consumption by 2015, resulting in a phase-out of 0.96 metric tonnes (0.053 ODP tonnes) of HCFCs. The detailed cost breakdown for stage I activities is listed in Table 5.

Table 5: Total cost of the HPMP

Description of activities	UNEP	UNDP	Total Funding (US \$)
Legislation/ regulation*	-	-	-
Capacity building	100,000	-	100,000
Public awareness	100,000	-	100,000
Investment activities	-	144,200	144,200
Project coordination & management	75,000	-	75,000
Total	275,000	144,200	419,200

*this activity will be covered by the HPMP preparation funding

SECRETARIAT COMMENTS AND RECOMMENDATION

COMMENTS

14. The Secretariat reviewed the HPMP for Timor-Leste 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.

Issue related to legislation, regulations and licensing system

15. The Secretariat drew UNEP's attention to Executive Committee's decision 54/39(e), regarding the legislation, regulations and a licensing system for HCFC import control, and requested UNEP to provide details about the progress, current status, and future steps planned for the development of the legislation, regulations and licensing system.

16. UNEP responded that the development of the licensing system is ongoing, but progress is slow. UNEP has sent the legal consultant to Timor-Leste in the first quarter of 2011 to start the work on the comprehensive legislation and also on the GN(s) for HCFCs. The expert will also discuss with the Customs Department to include ODS in the list of prohibited and restricted goods. UNEP informed the Secretariat that a draft Decree Law on ODS regulation was presented to the Ministry of Economy and Development, and the Ministry of Industry, Commerce and Tourism before the issuance of this document.

17. The HPMP also indicated that import legislation preparation requires Customs' inputs. However, Customs' staff have not yet received any training for identifying and tracking ODS, which will be conducted under stage I of the HPMP. The Government is considering incorporating the Montreal Protocol and its amendments into the National Laws. The HPMP will be included in the recommendations, to the Cabinet, for the preparation of the legislation.

18. UNEP informed the Secretariat that, as passing of legislation by the parliament could take up to three years, a two-pronged strategy had been adopted. As soon as the HPMP is approved by the Executive Committee, work will be started on drafting the comprehensive legislation. Meanwhile, in lieu of the legislation, GNs to put in place an import/export licensing policy for HCFCs and HCFC-consuming equipment, will be issued. Once the legislation is approved and licensing system established, the GNs will be replaced.

19. To further clarify the notification system, the Secretariat requested a copy of the GN, which is attached to the present document. UNEP advised that the GN would not be effective without the implementation of the proposed HPMP activities to strengthen the institutional capacity of the relevant stakeholders. The Secretariat further noted that, there was no issuance date on the GN, and the effective date for prohibiting the import of ODS and ODS-based equipment stated in the GN was 1 December 2010, not 1 January 2010. It raised the issue of potential non-compliance during the first 11 months of 2010, as the ban on ODS only became effective on 1 December 2010.

20. UNEP explained that Timor-Leste ratified the Montreal Protocol just shortly before the key phase-out dates. It did not have sufficient time to put in place the control measures to meet the deadline of 1st January 2010 for CFC phase-out. The GN was ready only in November of 2010. UNEP further quoted the decision XXI/24 of the Meeting of the Parties, which inter alia requested the Executive Committee to consider the special situation in Timor-Leste and to be flexible when considering project proposal.

21. Given the legislative difficulties (mentioned in paragraphs 17 and 18), using the GN procedure to control HCFC import could be a practical way forward to help Timor-Leste achieve the reduction targets and remain in compliance. The Secretariat took into consideration decision XXI/24 of the Meeting of the Parties, and advised the country that the HPMP will be submitted to the Executive Committee for consideration for approval to allow Timor-Leste to start the HPMP implementation, with the condition that the tranche in 2013 would not be released until the licensing system or GN procedure with legally binding provisions for controlling the import of HCFCs and HCFC-based equipment is in place and working effectively.

Issue related to CFC consumption

22. Although Timor-Leste banned CFC consumption in December 2010, with the issuance of a GN, and forecast a zero consumption of CFCs in 2010, there is still some CFC-based equipment in use with a total installed capacity of 0.44 mt. This CFC use will be phased out along with HCFCs. Activities for phasing out the use of CFCs have been integrated into the relevant components of the HPMP. With the ban on importation of ODS and ODS-based equipment, the users of CFC-based equipment were advised to replace their equipment with non-ODS alternatives.

Overarching strategy

23. Timor-Leste will follow the Montreal Protocol schedule to phase out HCFCs and chooses the 10 per cent reduction target by 2015 in stage I of the HPMP, as the country has little experience in ODS phase-out. The HPMP indicated that the implementation of stage I of the HPMP will be a learning process for Timor-Leste to accumulate experience and build up the infrastructure and institutions to support full ODS (CFCs and HCFCs) phase-out.

Starting point for aggregate reduction in HCFC consumption

24. The Government of Timor-Leste agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of actual reported consumption in 2009 of 0.52 ODP tonnes (9.52 mt) and estimated consumption in 2010 of 0.54 ODP tonnes (9.75 mt), which has been estimated at 0.53 ODP tonnes. The business plan indicated a baseline of 0.52 ODP tonnes.

Technical and Cost issues

25. The Secretariat raised the issue related to the total cost of US \$419,200 to phase out 0.96 metric tonnes (0.053 ODP tonnes) of HCFC as originally requested for the implementation of the HPMP. The Secretariat advised the country that, according to ExCom decision 60/44, the threshold for funding a low-volume-consuming county with consumption of less than 15 metric tonnes is US \$51,700 for

achieving a 10 per cent reduction by 2015, and the Secretariat has no basis to recommend such a high level of funding as requested to the Executive Committee.

26. UNEP responded that Timor-Leste did not implement any CFC phase-out programme supported by the Multilateral Fund and does not have the advantage of established infrastructures and institutions, capacity and experience to support the HPMP phase-out. It further explained that the technicians have not received training in good refrigerant management practices, a key activity in managing and phasing out ODS use in the RAC sector. This training has become well established in other low volume consuming countries (LVCs) where only incremental funding support is needed for the implementation of the HPMP. Customs training and law enforcement for ODS tracking is another area that Timor-Leste will need to develop from a low base unlike other LVCs where only incremental funding support is needed. Furthermore, unlike other LVCs, the country has not received any equipment and tools for servicing RAC equipment, where most of the equipment and tools can be utilised for HCFC phase-out.

27. UNEP further argued that, given Timor-Leste is a new country and capacity building is still in progress in many areas, it will require sustained external support (international consultant) to ensure that all project implementation mechanisms are in place and the 2013 freeze on HCFC imports can be implemented. In addition, Timor-Leste will need to carry out intensive and targeted awareness programmes for which substantial funding is needed.

28. The Secretariat took UNEP's argument into consideration and reviewed the historical cost of the approved projects during CFC phase out and prepared a summary of the total cost of RMP and TPMP as shown in Table 6. Timor-Leste had a CFC baseline of 36 ODP tonnes, but the 2009 CFC consumption is less than 10 ODP tonnes.

Table 6. Total cost of RMP and TPMP for approved projects

CFC consumption	Total funding of RMP and TPMP (US \$)		
	Low	High	Weighted Average
Less than 10 mt	60,000	480,000	220,000
10 to 15 mt	330,000	640,000	470,000
15 to 40 mt	170,000	1,325,000	600,000

29. The Secretariat reviewed the level of activities proposed in the HPMP and discussed with UNEP the appropriate level of funding that would be sufficient to support the country in implementing the activities needed to meet Montreal Protocol control targets. After discussion, the amount of US \$271,700 was agreed for the implementation of stage I of the HPMP for Timor-Leste to phase out 0.96 mt (0.053 ODP tonnes) of HCFCs by 2015, as shown in Table 7. The country has also adjusted activities in each component to compensate for the reduction in funding.

Table 7: Agreed level of funding of stage I of the HPMP

Description of activities	UNEP	UNDP	Total Funding (USD)
Legislation/ regulation	-	-	-
Capacity building	94,000	-	94,000
Public awareness	30,900	-	30,900
Investment activities	-	106,800	106,800
Project coordination &	40,000	-	40,000

Description of activities	UNEP	UNDP	Total Funding (USD)
management			
Total	164,900	106,800	271,700

Impact on the climate

30. 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 of HCFC-22 not emitted due to better refrigeration practices results in 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 Timor-Leste, in particular training of technicians and refrigerant recovery and reuse, indicate that it is likely that the country will achieve the reduction of 192 CO₂-equivalent tonnes in emission 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.

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, UNEP explained that no co-financing is considered available at this moment for Timor-Leste.

2010-2014 business plan of the Multilateral Fund

32. UNEP and UNDP are requesting US \$271,700 plus support costs for implementation of the HPMP. The total value requested for the period 2011-2014 of US \$272,576 including support cost is within the total amount in the business plan.

33. Based on the estimated HCFC baseline consumption in the servicing sector of 9.6 mt, Timor-Leste's allocation up to the 2015 phase-out should be US \$51,700 in line with decision 60/44. Due to the reasons stated in paragraphs 25 to 29, the allocation for Timor-Leste up to 2015 phase-out has been adjusted to US \$330,000 in the business plan.

Project management, monitoring and evaluation

34. Monitoring and evaluation activities are planned to take place throughout the implementation period. An international consultant will work together with the NOU for ten weeks to build up the national capacity for project coordination, implementation and monitoring the progress. The NOU with the support from the Ozone Steering Committee will coordinate, implement and monitor the project activities. Independent verification of achievement is also planned.

Draft Agreement

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

RECOMMENDATION

36. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC and CFC phase-out management plan (HPMP) for Timor-Leste for the period 2011 to 2015, at the amount of US \$302,749, comprising of US \$164,900 and agency support costs of US \$21,437 for UNEP, and US \$106,800 and agency support costs of US \$9,612 for UNDP, on the understanding that the tranche planned for 2013 will not be released until the licensing system or a government notification procedure with legally binding provisions for controlling the import of HCFCs and HCFC-based equipment is in place and working effectively;
- (b) Noting that the Government of Timor-Leste had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 0.53 ODP tonnes, calculated using actual consumption for 2009 of 0.52 ODP tonnes and estimated consumption for 2010 of 0.54 ODP tonnes;
- (c) Approving the draft Agreement between the Government of Timor-Leste 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 Timor-Leste, and the corresponding implementation plan, at the amount of US \$210,426, comprising of US \$93,500 and agency support costs of US \$12,155 for UNEP, and US \$96,120 and agency support costs of US \$8,651 for UNDP.

Annex I

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

1. This Agreement represents the understanding of the Government of Timor-Leste (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 0.48 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 rows 1.2 and 1.4 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 levels defined in rows 1.2 and 1.4 of Appendix 2-A (maximum allowable total consumption of Annex C, Group I substances) 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 (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 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 rows 1.2 and 1.4 of Appendix 2-A (“The Targets, and Funding”) of this Agreement 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 all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons and CFCs 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 (the “Format of Tranche Implementation Report and Plan”) 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 (the “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 (the “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. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNDP 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 IA 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 rows 1.2 and 1.4 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	0.53
CFC-12 and CFC-115	A	I	0

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Parameter/Year	2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)			0.53	0.53	0.48	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)			0.53	0.53	0.48	n/a
1.3	Montreal Protocol reduction schedule of Annex A, Group I substances (ODP tonnes)	0	0	0	0	0	n/a
1.4	Maximum allowable total consumption of Annex A, Group I substances (ODP tonnes)	0	0	0	0	0	n/a
2.1	Lead IA UNEP agreed funding(US \$)	93,500		55,000		16,400	164,900
2.2	Support costs for Lead IA(US \$)	12,155		7,150		2,132	21,437
2.3	Cooperating IA UNDP agreed funding (US \$)	96,120				10,680	106,800
2.4	Support costs for Cooperating IA (US \$)	8,651				961	9,612
3.1	Total agreed funding (US \$)	189,620		55,000		27,080	271,700
3.2	Total support cost (US \$)	20,806		7,150		3,093	31,049
3.3	Total agreed costs (US \$)	210,426		62,150		30,173	302,749
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)						0.053
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)						n/a
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						0.48

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the first 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 lead implementing agency; 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 National Ozone Unit (NOU) will submit annual progress reports on the status of the implementation of the HPMP to UNEP and UNDP.
2. Monitoring of development of the HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to an independent local company or to an independent local consultant(s) by UNEP.

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 co-ordinating implementing agencies, 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 rows 1.2 or 1.4 of Appendix 2-A for each year in which the target specified in rows 1.2 or 1.4 of Appendix 2-A has not been met.



**DEMOCRATIC REPUBLIC OF TIMOR-LESTE
MINISTRY OF ECONOMY AND DEVELOPMENT
SECRETARIAT OF STATE FOR ENVIRONMENT**

Government Notification

Ban on the Importation of Ozone Depleting Substances (ODS) and ODS-based equipments/Appliances

MED/NOU/2010

The government of Timor-Leste became Party to the Vienna Convention for the Protection of Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer including its four amendments with its ratification on 16 of September 2009. The Ozone Depleting Substances is mainly used in air conditioning and refrigerating unit, fire extinguishers, solvent and foams.

As Party to this Convention, one of the important obligations is to phase-out the consumption or use of the Ozone Depleting Substances (ODS). The government of Timor-Leste like many Parties in the world already phase-out the use of Chlorofluorocarbons (CFCs) Halons and Carbon Tetrachloride completely in January 2010. In Timor-Leste context, most ODS or ODS-based equipments/appliances are domestic refrigerators, chest freezers, visi-coolers, mobile air conditioners fire extinguishers etc.

Therefore, the Secretariat of State for Environment, Ministry of Economy and Development would like to inform all the dealers and agents in Timor-Leste that importation of any ODS or ODS-based equipments/appliances shall not be allowed with effect from 1st of December 2010. Only non-ODS based equipments/appliances will be allowed into the country.

For any clarification, please contact the Secretariat of State of Environment/National Ozone Unit at 3339094 or 7230165.

A handwritten signature in blue ink, appearing to read "Cristiano da Costa", with a long horizontal line extending to the right.

Cristiano da Costa

Vice-Minster