



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/65/35
11 October 2011

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fifth Meeting
Bali, Indonesia, 13-17 November 2011

PROJECT PROPOSAL: FIJI

This document consists of the comments and recommendation 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

Fiji

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	UNDP (lead), UNEP

(II) LATEST ARTICLE 7 DATA	Year: 2010	9.20 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2010	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					8.80				8.80

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline (estimate):	8.44	Starting point for sustained aggregate reductions:	8.44
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	5.49

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	0.4	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.1	0.0	1.4
	Funding (US \$)	54,364	0	54,364	0	0	54,364	0	0	18,121	0	181,213
UNEP	ODS phase-out (ODP tonnes)	0.4		0.4			0.4			0.1		1.4
	Funding (US \$)	56,359	0	56,359	0	0	56,359	0	0	18,786	0	187,863

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits (estimate)			n/a	n/a	8.44	8.44	7.60	7.60	7.60	7.60	7.60	5.49	n/a	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	8.44	8.44	7.60	7.60	7.60	7.60	7.60	5.49	n/a	
Project Costs requested in principle(US\$)	UNDP	Project costs	71,800			47,900		59,850	-	-	-	19,950	199,500	
		Support costs	6,462			4,311		5,387	-	-	-	1,795	17,955	
	UNEP	Project costs	47,900			31,900		39,900					13,300	133,000
		Support costs	6,227			4,147		5,187	-	-	-	-	1,729	17,290
Total project costs requested in principle (US \$)			119,700			79,800		99,750			-	33,250	332,500	
Total support costs requested in principle (US \$)			12,689			8,458		10,574			-	3,524	35,245	
Total funds requested in principle (US \$)			132,389			88,258		110,324			-	36,774	367,745	

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	71,800	6,462
UNEP	47,900	6,227

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

PROJECT DESCRIPTION

1. On behalf of the Government of Fiji UNDP, as the designated lead implementing agency, has submitted to the 65th Meeting of the Executive Committee stage I of an HCFC phase-out management plan (HPMP) at a total cost, as originally submitted, of US \$332,500 plus support costs of US \$17,955 for UNDP and US \$17,290 for UNEP. The HPMP covers strategies and activities to achieve a 35 per cent reduction in HCFC consumption by 2020.

2. The first tranche for stage I of the HPMP being requested at this meeting amounts to US \$109,725 plus agency support costs of US \$9,875 for UNDP and US \$73,150 plus agency support costs of US \$9,510 for UNEP.

Background

ODS regulations

3. The Ministry of Local Government, Housing, Squatter Settlement and Environment is the national body responsible for the implementation of the Montreal Protocol in Fiji. Under the Department of Environment (DOE) of this Ministry, the National Ozone Unit (NOU) was established in 1995. The NOU is the focal point for coordinating and implementing activities for the phase-out of ozone-depleting substances (ODS) and for meeting reporting requirements. The Government of Fiji passed the Ozone Depleting Substances Act in 1998, ODS Regulations in 2000 and amended the ODS Regulations in 2010 which, *inter alia*, control the import and export of all ODS. Under these regulations, importers and exporters of HCFCs and HCFC-dependent products have to first register with the NOU and obtain a permit prior to import and export.

4. There is no quota system implemented by the NOU for HCFC imports at present. However, through the licensing system, the NOU can control levels of HCFC import into the country. There is a proposal to further amend the ODS Act to impose stronger import controls on HCFCs and set annual import quotas based on the calculated baseline for the country's HCFC consumption as part of stage I of the HPMP.

5. The Government of Fiji has ratified all the amendments to the Montreal Protocol.

HCFC consumption

6. All HCFCs used in Fiji are imported. Ten companies have registered with the NOU as importers of bulk ODS (including HCFCs), and five importers registered in 2009 that import air-conditioners. Most of the importers of HCFCs are based in Suva, its largest island. The source of imported HCFCs in 2009 was mainly China, Singapore, Australia and New Zealand.

7. HCFC-22 is used in Fiji predominantly in the refrigeration and air-conditioning (RAC) servicing sector. The main uses of HCFCs in this sector include servicing air-conditioning (AC) equipment, commercial refrigeration applications including refrigeration equipment used in the fishing industry, chillers, and limited use in transport equipment. The 2010 survey did not find any use of HCFCs in foam-blowing, fire-fighting or solvent applications. Based on its Article 7 data, and confirmed by the survey, 99 per cent of the total HCFCs used in the country is attributed to HCFC-22, and the rest to some HCFC-142b contained in blends. The use of HCFC blends is very limited in Fiji, predominantly as drop-in substitutes to CFC-based commercial equipment, and HCFC-22 is the least expensive refrigerant available compared to HFCs and refrigerant blends. However, indications point to a potential increase in HCFC-22 prices in Fiji driven by higher demand in international markets, increase in input costs and reduction in availability of HCFCs. Fiji's HCFC consumption was 138.69 mt in 2009 and 166.89 mt in

2010. Growth in HCFC consumption is expected to be primarily driven by that in servicing of air conditioners fishing vessels. Table 1 shows the level of HCFC consumption in Fiji.

Table 1: HCFC level of consumption in Fiji

Year	Article 7 (tonnes)	
	mt	ODP
2005	93.50	5.14
2006	85.41	4.70
2007	73.97	4.07
2008	85.99	4.73
2009	138.69	7.63
2010	166.89	9.18

Sectoral distribution of HCFCs

8. The installed capacity of RAC equipment in the country using HCFC-22 was estimated at 200,400 units in 2009. The average charge for different types of equipment was estimated and used to calculate the total installed capacity. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector for 2009

Type	Total number of units	Total charge of refrigerant (tonnes)		Service demand (tonnes)	
		mt	ODP	mt	ODP
Residential air-conditioners	200,000	250.00	13.75	47.82	2.63
Commercial air-conditioners	400	150.00	8.25	96.36	5.30
Total	200,400	400.00	22.0	144.18	7.93

Estimated baseline for HCFC consumption

9. The estimated baseline was calculated as 152.83 mt (8.44 ODP tonnes) using the average of the actual 2009 consumption of 138.69 mt (7.63 ODP tonnes) and actual 2010 consumption of 166.89 mt (9.18 ODP tonnes) reported by Fiji under Article 7.

Forecast of future HCFC consumption

10. Based on data gathered from the survey, the future demand for HCFC consumption in Fiji is projected. The projected growth in HCFC consumption was made using differential growth rates across time and different end-use sectors driven by growth in population of serviceable equipment in different sectors. Adjustments were also made for reduction in population of HCFC-based equipment in certain applications given that the population of non-HCFC-based equipment is expected to increase in certain applications given their economic and other operational advantages. Fiji estimated its future demand for HCFCs at an average 5 per cent growth rate. Table 3 below provides a summary of the forecast of HCFC consumption in Fiji.

Table 3: Forecast consumption of HCFCs

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constrained HCFC consumption	mt	138.69	166.89	185.88	198.11	152.83	154.83	137.50	137.50	137.50	137.50	137.50	99.30
	ODP	7.63	9.18	10.22	10.90	8.44	8.44	7.60	7.60	7.60	7.60	7.60	5.49
Unconstrained HCFC consumption	mt	138.69	166.89	185.88	198.11	211.38	211.38	241.36	241.36	241.36	241.36	241.36	289.06
	ODP	7.63	9.18	10.22	10.90	11.63	11.63	13.28	13.28	13.28	13.28	13.28	15.90

HCFC phase-out strategy

11. The Government of Fiji 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 only consists of stage I of the HPMP to meet the 35 per cent reduction by 2020 and focuses largely on activities for the servicing sector using HCFC-22.

12. The activities in the HPMP were designed to address three strategic elements crucial to the successful phase-out of HCFCs in the country, namely: reducing the dependence on HCFCs and HCFC-based equipment through limiting supply, promoting HCFC-free-based alternatives to HCFC-based equipment and reducing demand for HCFCs in existing equipment. These will be undertaken through activities that include a pilot retrofit/reclamation programme, training of enforcement officers and refrigeration service technicians, and awareness raising to be implemented by UNDP and UNEP respectively. The Government of Fiji will ensure that imports of both bulk HCFC-22 and equipment containing HCFCs are reduced by applying the quota to be established following the reduction schedule in the Montreal Protocol. In addition, it will strengthen the enforcement of the licensing system in order to closely monitor imports of both HCFCs and HCFC-using equipment to ensure that these are within the limits set. Table 4 shows the specific activities and implementation schedule of stage I of the HPMP.

Table 4: Specific activities of stage I of the HPMP, proposed period of implementation and impact

Description of activities	Time frame	Impact
Recovery and reclamation programme	2011-2020	<ul style="list-style-type: none"> • Viable recovery and reclamation programme is initiated and adopted in high-HCFC consuming areas in Fiji. • About 15 mt of HCFCs are recovered and reused per annum.
Retrofit incentive programme	2011-2020	HCFC-free alternatives are adopted in an expeditious manner (i.e., within the next 3-5 years) by users mainly in residential air-conditioners and fisheries industry.
Training of service technicians	2011-2013	<ul style="list-style-type: none"> • Good service practices adopted. • Waste of HCFCs in servicing reduced.
Training of enforcement officers		Regulations for HCFC supply and demand controls enforced effectively to ensure compliance.

Description of activities	Time frame	Impact
Awareness and information outreach	2011-2020	<ul style="list-style-type: none"> • Consumers and service technicians are aware of obligations under HPMP and availability of alternatives to HCFCs. • HCFC consumers know about support offered by the Government and actively participate in the HPMP activities. • HCFC suppliers and users are aware of regulations on HCFCs.
Project monitoring, coordination and reporting	2011-2020	<ul style="list-style-type: none"> • HPMP activities are closely monitored and managed. • Timely interventions are undertaken by the Government to eliminate use of HCFCs and adopt environment friendly alternatives. • Reporting on HPMP activities internally and to external stakeholders are undertaken in a timely manner.

Cost of the HPMP

13. The total cost of stage I of the HPMP for Fiji has been estimated at US \$332,500 to achieve a 35 per cent reduction in HCFC consumption by 2020 resulting in a phase-out of 53.45 mt (2.95 ODP tonnes) of HCFCs. The detailed cost breakdown for activities is listed in Table 5.

Table 5: Proposed cost of stage I of HPMP for Fiji (US \$)

Description of activities	UNEP	UNDP	Total
Recovery and reclamation programme		74,000	74,000
Retrofit incentive programme		58,500	58,500
Training of service technicians	54,000		54,000
Training of enforcement officers	45,000	-	45,000
Awareness and information outreach	34,000	-	34,000
Project monitoring, coordination and reporting		67,000	67,000
Total	133,000	199,500	332,500

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

14. The Secretariat reviewed the HPMP for Fiji 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 and the 2011-2014 business plan of the Multilateral Fund.

Issues related to HCFC consumption

15. The Secretariat noted that the HPMP indicated that HCFC consumption in the servicing sector will continue to increase. However data provided on RAC imports showed a declining trend from 2007 until 2009. Although it had picked up in 2010, the volume was still 30 per cent less than that imported in 2007 which was the peak year between 2004-2010. UNDP explained that economic factors including the recession caused fluctuation in the imports of RAC equipment during this period. Imports were also affected by the devaluation of the Fiji dollar which limited the capacity to purchase new equipment. It had also indicated that the future consumption of HCFC-22 is expected to be primarily driven by an increase in air-conditioner servicing and servicing fishing vessels. Continued imports of RAC equipment in the country will also be largely dependent on the current economic situation and are expected to increase as the Gross National Product (GNP) improves.

16. UNDP also emphasised that, based on the survey conducted, it is the fishing industry that has registered the highest use of HCFCs for servicing vessels. Since fishing is an important industry in the country, the HPMP considered this as a priority and targeted a number of activities to this use. It further clarified that while tourism is equally important, this has suffered a reduction in the recent years due to the political situation in the country. However, this is envisaged to improve in the years leading to the subsequent control measures and therefore also needs attention.

Starting point for aggregate reduction in HCFC consumption

17. The Government of Fiji agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline calculated based on the average level of actual consumption of 138.69 mt (7.63 ODP tonnes) in 2009 and of 166.89 mt (9.18 ODP tonnes) for 2010 reported under Article 7, which results in 152.83 mt (8.44 ODP tonnes). The business plan indicated a baseline of 143.60 mt.

Technical and cost issues

18. The Secretariat queried the budget for policy and regulation review as funds for this would have already been provided under the project preparation funding approved for HPMP preparation. UNDP indicated that this is an enabling activity critical to the success of the HPMP implementation. It would involve finalising revisions to regulatory interventions that are needed for achieving HCFC phase-out as well as consultations with national stakeholders including industry representatives and other ministries/departments. UNDP further indicated that, in acknowledgement of the Secretariat's observation with regards to funding, this activity will thus be done using the institutional strengthening (IS) funds and, therefore, while included in the HPMP the budget for it is not.

19. The HPMP foresees that the activities, predominantly in the servicing sector such as training of technicians as well as a recovery and recycling programme, will assist the country to comply with its targets. Service tools and equipment will be provided to technicians to facilitate refrigerant recovery and good practice in the air conditioning and refrigeration servicing sector. Responding to a query from the Secretariat on how activities from the completed terminal phase-out management plan (TPMP) are to be integrated for HCFC phase-out, UNDP pointed out that equipment that had already been provided will

continue to be used in addition to new equipment to be provided which will enable the use for HCFCs and other blends.

20. With regard to the retrofit incentive programme, UNDP responded to the Secretariat's concerns by explaining that the retrofit programme would be carried out by service establishments whose technicians would be trained to carry out such activities. It will work hand-in-hand with the recovery and reclamation programme to reduce emissions of HCFC-22 from servicing. The eligibility of the beneficiaries for the incentive programme will be defined by the NOU with technical support from UNDP. Ammonia or suitable cost-effective hydrocarbon or HFC options are being considered as alternatives for the identified beneficiaries for retrofit use. UNDP also emphasized that the programme is aimed at replacement and changes in equipment to make it compatible with non-ODS technologies and will not entail a full replacement of equipment.

21. UNDP further mentioned that with regard to the issue of sustainability of the technician training, Fiji plans to collect fees from the licensing system and from the annual registration/certification of technicians. These funds will be utilized to support the sustainability of future training courses. Membership fees to the refrigeration association would also be used to support the training courses for its members.

22. In line with decision 60/44, the total funding for stage I of the HPMP was agreed at US \$332,500 as shown in Table 5 above. This will assist the country to achieve a 35 per cent reduction in consumption by 2020 and phase out 53.45 mt (2.95 ODP tonnes) of HCFCs.

Impact on the climate

23. 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 Fiji, in particular training for technicians on improved service practice, and refrigerant recovery and reuse, indicate that it is likely that the country will achieve the reduction of 4,546.2 CO₂-equivalent tonnes in emissions 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

24. 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, UNDP advised that Fiji has not yet identified any resources for co-financing the implementation of the HPMP. However, the Government, through industry, will be providing in-kind contributions in the form of office space and equipment for example, to ensure the successful phase-out of HCFCs. It will also, under the assistance of the implementing agencies, continue to explore opportunities for mobilising additional resources for the implementation of the HPMP. These could include the Clean Development Mechanism, Global Environment Facility, bilateral funding support from donor countries, amongst others. During the first three years of implementation, it is anticipated that energy efficiency promotion programmes would be undertaken in the country and these would form a part of the co-financing opportunities that would be explored in Fiji.

2011-2014 business plan for the Multilateral Fund

25. UNDP and UNEP are requesting US \$332,500 plus support costs for implementation of stage I of the HPMP. The total value requested for the period 2011-2014 of US \$220,647 including support cost is slightly below that in the business plan.

26. Based on the estimated HCFC baseline consumption in the servicing sector of 152.83 mt, Fiji's allocation up to the 2020 35 per cent reduction should be US \$332,500 in line with decision 60/44.

Draft Agreement

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

RECOMMENDATION

28. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Fiji for the period 2011 to 2020 to meet the 35 per cent reduction in HCFC consumption, at the amount of US \$367,745, consisting of US \$199,500 plus agency support costs of US \$17,955 for UNDP, and US \$133,000 plus agency support costs of US \$17,290 for UNEP;
- (b) Noting that the Government of Fiji had agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption an estimated baseline of 8.44 ODP tonnes, calculated using actual consumption of 7.63 ODP tonnes and 9.18 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol;
- (c) Deducting 2.95 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption;
- (d) Approving the draft Agreement between the Government of Fiji and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (e) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the 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
- (f) Approving the first tranche of stage I of the HPMP for Fiji, and the corresponding implementation plan, at the amount of US \$132,389, consisting of US \$71,800 plus agency support costs of US \$6,462 for UNDP, and US \$47,900 plus agency support costs of US \$6,227 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF FIJI 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 Fiji (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 5.49 ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time, once the baseline consumption for compliance has been 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 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 rows 4.1.3 and 4.2.3 (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 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 HCFC phase-out sector plans submitted. 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 had 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 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 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 annual implementation reports in the form of Appendix 4-A (“Format of 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;

- (d) That the Country has submitted an annual 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; and
- (e) That, for all submissions from the 68th meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

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 annual implementation plans 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 paragraph 4 above.

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 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 an annual implementation plan submitted as foreseen in sub-paragraph 5(d) above, or as a revision to an existing annual 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 annual implementation plan, or removal of an activity in the annual 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 annual implementation plan, under implementation at the time, and reported to the Executive Committee in the subsequent annual implementation report; and
- (c) Any remaining funds 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, 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 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 any of the agencies 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 have reached consensus on the arrangements regarding inter-agency 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 amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg 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 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 stage I 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 level has been specified in Appendix 2-A. Should there at that time still be activities that are outstanding, and 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 sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion 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	8.40
HCFC-142b	C	I	0.04
Total			8.44

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Parameter/Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	NA	NA	8.44	8.44	7.60	7.60	7.60	7.60	7.60	5.49	NA
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	NA	NA	8.44	8.44	7.60	7.60	7.60	7.60	7.60	5.49	NA
2.1	Lead IA (UNDP) agreed funding (US\$)	71,800			47,900		59,850				19,950	199,500
2.2	Support costs for Lead IA (US\$)	6,462			4,311		5,387				1,795	17,955
2.3	Cooperating IA (UNEP) agreed funding (US\$)	47,900			31,900		39,900				13,300	133,000
2.4	Support costs for cooperating IA (US\$)	6,227			4,147		5,187				1,729	17,290
3.1	Total agreed funding (US\$)	119,700			79,800		99,750				33,250	332,500
3.2	Total support costs (US\$)	12,689			8,458		10,574				3,524	35,245
3.3	Total agreed costs (US\$)	132,389			88,258		110,324				36,774	367,745
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											2.91
4.1.2	Phase-out of HCFC-22 to be achieved through previously approved projects (ODP tonnes)											-
4.1.3	Remaining eligible consumption of HCFC-22 (ODP tonnes)											5.49
4.2.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)											0.04
4.2.2	Phase-out of HCFC-142b to be achieved through previously approved projects (ODP tonnes)											-
4.2.3	Remaining eligible consumption of HCFC-142b (ODP tonnes)											0

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

APPENDIX 4-A: FORMAT OF IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Implementation Report and Plan 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 Annual 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) 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 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 annual implementation reports and annual implementation 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 annual 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).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The overall monitoring will be the responsibility of the National Ozone Unit (NOU).
2. The consumption will be monitored based on cross-checking the data collected from relevant government departments with data collected, as required, from the relevant importers, distributors and consumers.

3. The NOU will also be responsible for reporting and shall submit the following reports in a timely manner:

- (a) Annual reports on consumption of substances to be submitted to the Ozone Secretariat;
- (b) Annual reports on progress of implementation of this Agreement to be submitted to the Executive Committee of the Multilateral Fund; and
- (c) Project-related reports to the Lead IA.

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 Implementation Plans and subsequent reports as per Appendix 4-A;
- (c) Providing independent verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the 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 annual implementation plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the annual implementation reports, annual implementation 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 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 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 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 overall 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.
