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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-sixth Meeting  
Montreal, 16-20 April 2012

**PROJECT PROPOSAL: KENYA**

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) France

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

### Kenya

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase out plan (Stage I)	France (lead)

<b>(II) LATEST ARTICLE 7 DATA</b>	Year: 2010	49.6 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2010</b>	
Chemical	Aerosol	Foam	Fire	Refrigeration		Solvent	Process	Lab	Total sector
				Manufacturing	Servicing				
HCFC123									
HCFC124									
HCFC141b									
HCFC141b in									
HCFC142b									
HCFC22					49.6				49.6

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	52.15	Starting point for sustained aggregate reductions:	52.15
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.0	Remaining:	41.15

<b>(V) BUSINESS PLAN</b>		2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)	4.7	0	6.2	0	0	5.2	0	2.2		18.3
	Funding (US \$)	291,000	0	381,000	0	0	319,000	0	138,000	0	1,129,000

<b>(VI) PROJECT DATA</b>			2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits (estimate)			n/a	52.15	52.15	46.93	46.93	46.93	n/a
Maximum allowable consumption (ODP tonnes)			n/a	52.15	52.15	46.93	46.93	41.15	n/a
Project Costs requested in principle(US\$)	France	Project costs	257,500		200,000	176,250	176,250	90,000	900,000
		Support costs	31,186		24,222	21,346	21,346	10,900	109,000
Total project costs requested in principle (US \$)			257,500		200,000	176,250	176,250	90,000	900,000
Total support costs requested in principle (US \$)			31,186		24,222	21,346	21,346	10,900	109,000
Total funds requested in principle (US \$)			288,686		224,222	197,596	197,596	100,900	1,009,000

<b>(VII) Request for funding for the first tranche (2012)</b>		
Agency	Funds requested (US \$)	Support costs (US \$)
France	257,500	31,186

<b>Funding request:</b>	Approval of funding for the first tranche (2012) as indicated above
<b>Secretariat's recommendation:</b>	Individual consideration

## **PROJECT DESCRIPTION**

1. On behalf of the Government of Kenya, the Government of France, as the designated implementing agency, has submitted to the 66<sup>th</sup> meeting of the Executive Committee stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$1,000,000 plus agency support costs of US \$120,000, as originally submitted, to implement activities that will enable the country to comply with the Montreal Protocol's 35 per cent reduction step in HCFC consumption by 2020.

2. The first tranche for stage I being requested at this meeting amounts to US \$257,500 plus agency support costs of US \$30,900 for the Government of France, as originally submitted.

### **Background**

3. Kenya, with a total population of about 40 million inhabitants, has ratified all the amendments to the Montreal Protocol except for the Beijing Amendment. The Government of Kenya, aware of the potential risks that the non-ratification may entail, has started the process of ratification and expects that it will be completed in the coming months.

### ODS regulations

4. Ozone protection activities are part of the Environment Management and Coordination Act (EMCA) promulgated in 1999. The Environmental Management and Coordination Regulation from 2007 established mandatory licenses to import, export or handle ozone depleting substances (ODS), including HCFCs. The National Environmental Management Authority (NEMA), under the Ministry of Environment and Mineral Resources, is the body designated by the Government of Kenya to issue licenses and enforce the ODS regulations in collaboration with the Customs Service Department and other Government agencies. The legislation also provides for the application of ODS import quotas. The quotas for HCFCs are expected to be enforced by 1 January 2013 as part of the implementation of the HPMP.

5. The Kenya National Ozone Unit (NOU), established within the Ministry of Environment and Mineral Resources, is responsible for the operational management of the country programme and institutional strengthening programmes to phase out ODS. Activities under the NOU's responsibility include data reporting to the Fund Secretariat under the country programme and to the Ozone Secretariat under Article 7 of the Montreal Protocol, formulation and implementation of ODS phase-out activities, formulation of policies to control ODS, and the promotion of public awareness programmes.

### HCFC consumption and sector distribution

6. Kenya consumes exclusively HCFC-22. Between 2003 and 2008 an annual average of 3.3 ODP tonnes of HCFC-141b was imported to manufacture rigid foam, and in 2010 small amounts (0.11 ODP tonnes) of HCFC-22, HCFC-142b and HCFC-124 were imported in blends (R-402a, R-406a, R-408a and R-409a) but not reported under Article 7. HCFC consumption in Kenya grew consistently since the early 1990s until 2008, when a decreasing trend began, influenced by the economic situation and the replacement of foam manufacturing by imports. The established baseline for compliance is 948.16 metric tonnes (mt), or 52.15 ODP tonnes. The HCFC consumption in Kenya for the last 6 years is shown in Table 1.

**Table 1. HCFC consumption in Kenya reported under Article 7 of the Montreal Protocol**

HCFC	2005	2006	2007	2008	2009	2010	Baseline
<b>Metric tonnes (mt)</b>							
HCFC-22	549.51	710.41	820.13	991.21	995.00	901.31	948.16
HCFC-141b	30.00	31.00	30.50	30.00	-	-	-
<b>Total mt</b>	<b>579.51</b>	<b>741.41</b>	<b>850.63</b>	<b>1,021.21</b>	<b>995.00</b>	<b>901.31</b>	<b>948.16</b>
<b>ODP tonnes</b>							
HCFC-22	30.22	39.07	45.11	54.52	54.73	49.57	52.15
HCFC-141b	3.30	3.41	3.35	3.30	-	-	-
<b>Total ODP tonnes</b>	<b>33.52</b>	<b>42.48</b>	<b>48.46</b>	<b>57.82</b>	<b>54.73</b>	<b>49.57</b>	<b>52.15</b>

7. There are seven major importers of HCFCs in Kenya, one of them having imported more than 50 per cent of the HCFC-22 in 2010. These companies also import and provide maintenance to refrigeration and air-conditioning (RAC) equipment and compressors. HCFC-22 is used for servicing approximately 2.5 million RAC systems. These systems are serviced by approximately 8,000 technicians, 420 of whom have received training through the refrigeration management plan (RMP) and the terminal phase-out management plan (TPMP). However, based on estimations from the survey around 150,000 non-qualified individuals, mostly dealing with electrical appliances, also provide occasional RAC servicing in Kenya. The percentage breakdown of HCFCs used by type of equipment is shown in Table 2.

**Table 2. Distribution of HCFC-22 used in the servicing sector in Kenya (2010)**

Type of equipment	No. of units	HCFC-22 used in servicing *		% of total HCFC-22
		Mt	ODP tonnes	
Split/window air-conditioners	1,767,938	246.90	13.57	27.3
Industrial/commercial	723,545	625.10	34.38	69.2
Refrigerated transport units	4,915	31.40	1.73	3.5
<b>Total</b>	<b>2,496,398</b>	<b>903.4</b>	<b>49.68</b>	<b>100</b>

\*It is estimated that out of the total amount of HCFC-22 used in servicing RAC equipment, more than 100.00 mt (5.50 ODP tonnes) are used for flushing refrigeration circuits.

8. The Government of Kenya prepared the 2011-2020 forecasts for HCFC consumption assuming a conservative annual growth rate of 1.73 per cent as presented in Table 3. However, due to the aging of the installed equipment and leakage rates and the amount of HCFC-22 required for servicing is expected to grow. It is estimated that if no action is taken now to reduce the demand for HCFC-22, by 2015 consumption growth would be at around 5 per cent.

**Table 3. HCFC consumption forecast in Kenya**

Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Metric tonnes</b>										
Unconstrained	919.0	934.9	951.1	967.6	984.6	1,001.3	1,018.6	1,036.3	1,054.2	1,072.4
Constrained	919.0	934.9	949.2	949.2	854.3	854.3	854.3	854.3	854.3	616.9
<b>ODP tonnes</b>										
Unconstrained	50.5	51.4	52.3	53.2	54.1	55.1	56.0	57.0	57.9	58.9
Constrained	50.5	51.4	52.2	52.2	46.9	46.9	46.9	46.9	46.9	33.9

9. The current prices per kilogram of HCFCs and alternative refrigerants in the country are: US \$6.69 for HCFC-22, US \$10.37 for HFC-134a; US \$13.38 for R-404a; and US \$22.06 for R-407a and between US \$13.00 and US \$22.00 for other blends. Currently there are no available prices for hydrocarbon (HC) alternatives.

HCFC phase-out strategy

10. The objective of the overarching strategy in Kenya's HPMP is to phase out consumption of HCFCs in accordance with the Montreal Protocol reduction schedules through a RAC servicing sector plan that encourages energy efficiency and the use of low-global-warming-potential (low GWP) alternatives. Stage I aims to meet the HCFC control targets up to 2020, while stage II will focus on phasing out the remaining HCFC consumption by replacing and retrofitting equipment to natural refrigerants.

11. In line with the overarching strategy, the Government of Kenya proposes to implement the following specific activities during stage I:

- (a) Policy and regulatory instruments including strengthening of the licensing system, ban on installations and imports of HCFC-based equipment, ban on imports of HCFC-based blends, training of 350 customs and other law enforcement officers, and strengthening of customs training schools;
- (b) Technical assistance to the RAC servicing sector including training and certification of 700 servicing technicians in good refrigeration practices; strengthening the capacity of technical colleges; providing 10 commercial recovery units, 30 mobile recovery units and tool kits for recovery and reuse of HCFCs; and introducing a retrofit scheme to phase out HCFC-22 in 200 commercial RAC units;
- (c) Awareness raising among consumers and the industry on regulations, controls, phase-out schedules, emerging alternatives, and the benefits of introducing energy efficient RAC equipment; and
- (d) Establishing a project implementation and monitoring unit to assist the NOU in implementation. This unit will procure all the required equipment and tools, supervise the training activities, work directly with NEMA and the Customs Department and ensure that the import regulations are being followed, assist in the development of the certification system for technicians, and produce periodic reports.

Cost of stage I of the HPMP

12. The total cost of implementing stage I of the HPMP has been estimated at US \$1,000,000 with the following breakdown:

**Table 4: Cost of stage I of the HPMP in Kenya**

<b>DESCRIPTION</b>	<b>COST (US \$)</b>
Policy and regulatory instruments, custom training and strengthening of customs schools	220,000
Technical assistance in the RAC servicing sector:	
- Training and certification of refrigeration technicians	280,000
- Provision of service tools for technicians and additional equipment for recovery and reuse of HCFCs	140,000
- Retrofit programme	200,000
Awareness programme	60,000
Project implementation and monitoring unit	100,000
<b>Total</b>	<b>1,000,000</b>

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

13. The Secretariat reviewed the HPMP for Kenya 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 60<sup>th</sup> meeting (decision 60/44), subsequent decisions on HPMPs and the 2012-2014 business plan of the Multilateral Fund. The Secretariat discussed technical and cost-related issues with the Government of France, which were addressed as summarized below.

#### HCFC consumption

14. The Secretariat requested further information on the reasons for the HCFC consumption baseline level in mt being four times higher than that of CFCs and, in particular, the quick growth that occurred from 2005 to 2008. The Government of France indicated that Kenya has experienced considerable growth in its services sector since the mid-2000s, in particular in telecommunications, tourism, transport and construction. As CFCs were already being phased out, HCFC-based air-conditioning systems were installed in new commercial offices and buildings and old HCFC systems still using HCFCs were upgraded. Over this period the installation of new HCFC-22 equipment grew between 20 and 25 per cent annually. A final factor attributed to the increased consumption of HCFCs was the use of HCFC-22 as a flushing agent for systems during servicing (between 10 and 20 per cent according to estimations). Based on the information received and taking into account factors such as equipment installed, population, electrification rates and gross domestic product (GDP), the Secretariat compared these figures to those of other countries and concluded that the data and explanations for Kenya's consumption growth were realistic.

15. The Secretariat also requested more details about the consumption of an average of 3.3 ODP tonnes of HCFC-141b between 2003 and 2008, and whether this consumption might be reinitiated after approval of the HPMP. The Government of France indicated that few commercial refrigeration companies using HCFC-141b to produce rigid foams had replaced their foam production by imports of equipment for local assembly. This was confirmed by the fact that no HCFC-141b in bulk or contained in pre-blended polyols is imported into Kenya. Furthermore, the Government of Kenya is committed to not issuing any licenses or establishing a quota for imports of HCFC-141b and not approving any requests for setting up new production where HCFC-141b is to be used, whether pre-blended in polyols or pure.

#### Starting point for aggregate reduction in HCFC consumption

16. The Secretariat noticed that the official data under Article 7, as reflected in the HPMP, did not include small amounts of HCFC-22, HCFC-142b and HCFC-124 imported in blends (R-402a, R-406a, R-408a and R-409a) during 2010. The Government of France confirmed that the Government of Kenya will not request a revision of the 2010 reported consumption. Based on this, the HCFC consumption baseline is set at 948.16 mt (or 52.15 ODP tonnes), calculated as the average consumption of 995 mt (or 54.73 ODP tonnes) for 2009 and the consumption of 901.31 mt (or 49.57 ODP tonnes) for 2010 reported under Article 7. Based on decision 63/14, this value is also the starting point for aggregate reductions of HCFC consumption.

#### Technical and cost-related issues

17. Kenya was formerly classified as a low-volume-consuming country (LVC) based on its CFC consumption. As Kenya's HCFC consumption baseline exceeds 360 mt and is exclusively in the servicing sector, the Government of France submitted stage I of the HPMP to meet up to the 35 per cent reduction of the baseline by 2020 in line with decision 62/11. The Government of France explained that during the preparation of the HPMP, meetings were conducted between government officials and owners of

supermarkets, where it was proposed to retrofit their equipment to non-HCFC refrigerants, in order to reduce the inventory of HCFC-based equipment and the associated rising demand for HCFC-22 for servicing. The cost to the Multilateral Fund for retrofitting the equipment is estimated at US \$490,000, with a possible counterpart funding provided by equipment owners, currently under discussion. While the proposal was agreed to, in principle, by the owners of the equipment, they were unable to select the final alternative technology from the currently limited ones available. Therefore, the request for this important component of the overarching strategy was not included in stage I of the HPMP.

18. The Secretariat brought to the attention of the Government of France the fact that although some 100.00 mt (5.50 ODP tonnes) of HCFC-22 are annually used for flushing refrigeration circuits, no activities were included in the HPMP to address this highly emissive operation. Also, the training programme for technicians was limited to only 700 out of the 8,000 technicians in the country, and no assistance was proposed for the over 150,000 non-trained individuals who provide occasional servicing to RAC equipment. Furthermore, the long-term sustainability of any retrofit was in doubt given the current lower price of HCFC-22 in relation to available alternative refrigerants (HCFC-22 is less than half as expensive in all cases). It was, therefore, suggested to review the action plan and activities proposed in stage I of the HPMP to address these limitations to increase the sustainability of the reductions.

19. In response to the issues raised and the suggestion made by the Secretariat, the Government of France agreed to modify stage I of the HPMP, covering only the 2012 to 2015 period to meet the 10 per cent reduction of the HCFC consumption baseline at a total cost of US \$900,000 and to explicitly include an activity to eliminate flushing of refrigeration circuits with HCFC-22 and introducing alternative methods. In supporting this activity, the Government of Kenya will also consider the possibility of banning this practice during stage I using the existing legal framework and providing support for enforcement. The training programme for service technicians was adjusted to cover a larger number of technicians in the country in a shorter period of time. In addition to the 35 training courses to be provided for 700 technicians, each training institute receiving equipment will sign a Memorandum of Understanding (MOU) agreeing to conduct 1 to 3 additional training courses (for a total of 600 to 800 technicians per year) resulting in 2,800 technicians being trained by 2015. Furthermore, the certification system will be formalised and the refrigeration association will receive support to implement it, develop the code of practice for the industry, and help NEMA control that only certified technicians are able to buy refrigerants.

20. The training programme for customs officers will ensure proper enforcement of the new HCFC controls and will provide assistance to NEMA to improve the follow-up and inspection of licensed importers, create an information transfer system between Customs and NEMA, monitor servicing practices, increase coordination with the Customs department and the NOU, and involve its legal department in the amendment of existing regulations. The certification system for technicians will also be formalized in coordination with NEMA.

21. Additionally, the introduction of alternative refrigerants (mainly low-GWP) will be supported through training and regulations between 2012 and 2014, on the understanding that the retrofit scheme will start only in 2015 if alternative refrigerants are better positioned in the market. In that case, the retrofit would follow a similar approach to that in the TPMP, which successfully converted 84 cold rooms, through an incentive scheme that will cover the cost of parts to be paid upon verification of conversion to the service providers instead of the equipment owner. In order to have the greatest impact from the funds spent, larger units will be targeted.

22. The Secretariat agreed with this approach as it would result in a larger number of technicians being trained, the elimination of the flushing operations using HCFC-22, the strengthening of NEMA and a greater coordination among key stakeholders, and a potentially more sustainable approach for retrofitting refrigeration equipment during stage II of the HPMP. This revised programme will result in

the phase-out of 200 mt (11 ODP tonnes) of HCFC-22, representing 21.1 per cent of the HCFC baseline for compliance. The revised activities and costs of stage I of the HPMP are presented in Table 5.

**Table 5: Revised overall cost of stage I of the HPMP in Kenya**

DESCRIPTION	COST (US \$)
Policy and regulatory instruments, customs training, strengthening of customs schools, strengthening of NEMA	220,000
Technical assistance in the RAC servicing sector:	
- Training and certification of refrigeration technicians in good servicing practices, elimination of HCFC-22 for flushing, and retrofit	280,000
- Provision of service tools for technicians and additional equipment for recovery and reuse of HCFCs	140,000
- Retrofit programme (first part)	100,000
Awareness programme	60,000
Project implementation and monitoring unit	100,000
<b>Total</b>	<b>900,000</b>

23. The Government of Kenya committed to phasing out 11.00 ODP tonnes by 2017, which corresponds to 21.1 per cent of the HCFC baseline.

#### Impact on the climate

24. 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 approximately 1.8 CO<sub>2</sub>-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Kenya, in particular its strong commitment to introduce the use of hydrocarbons in the servicing sector 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 reduction of 60,207 CO<sub>2</sub>-equivalent tonnes in emissions into the atmosphere as estimated in the 2012-2014 business plan. The elimination of flushing refrigeration circuits with HCFC-22 will avoid the annual emission of 178,000 tonnes of CO<sub>2</sub>-equivalent into the atmosphere. However, at this time, the Secretariat is not in a position to quantitatively estimate the overall 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 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

25. 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, during implementation of stage I of the HPMP the Government of Kenya, with the assistance of the Government of France, will identify potential sources of funding that will both benefit ozone protection and mitigate the impact on the climate. In particular, the HPMP will be implemented in coordination with the Global Environment Facility (GEF)-funded Standards and Labelling Programme to ensure that the HCFC-free equipment being introduced in the country as a result of the HCFC phase-out will comply with the expected energy and environmental standards. According to on-going discussions, co-financing might also be provided by the beneficiary equipment owners involved in the retrofit scheme. Additionally, training institutes will contribute with their facilities and equipment, and their training will be available to assist the programme as required.

2012-2014 business plan of the Multilateral Fund

26. The Government of France is requesting US\$1,009,000 including support costs for implementation of stage I of the HPMP. The total value requested for the 2012-2014 period of US \$512,908 including support costs is within the total amount in the draft business plan.

Draft Agreement

27. A draft Agreement between the Government of Kenya and the Executive Committee for HCFC phase-out is contained in Annex I of 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 Kenya for the period 2012 to 2017 to reduce HCFC consumption by 21.1 per cent of the baseline, at the amount of US \$900,000, plus agency support costs of US \$109,000 for the Government of France;
- (b) Noting that the Government of Kenya had agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the baseline of 52.15 ODP tonnes, calculated using actual consumption of 54.73 ODP tonnes and 49.57 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol;
- (c) Deducting 11.00 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption;
- (d) Noting that approval of stage I of the HPMP did not preclude Kenya from submitting, prior to 2015, a proposal to achieve a reduction in HCFCs beyond that addressed in stage I of the HPMP;
- (e) Approving the draft Agreement between the Government of Kenya and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (f) Approving the first tranche of stage I of the HPMP for Kenya, and the corresponding implementation plan, at the amount of US \$257,500, plus agency support costs of US \$31,186 for the Government of France.

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## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF KENYA 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 Kenya (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 41.15 ODP tonnes by 1 January 2017 in compliance with Montreal Protocol schedules.
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 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 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 68<sup>th</sup> 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. The Government of France has agreed to be the lead implementing agency (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). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 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 and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead 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	52.15

## APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2012	2013	2014	2015	2016	2017	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	52.15	52.15	46.93	46.93	46.93	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	52.15	52.15	46.93	46.93	41.15	n/a	
2.1	Lead IA (Government of France) agreed funding (US \$)	257,500	0	200,000	176,250	176,250	90,000	900,000	
2.2	Support costs for Lead IA (US \$)	31,186	0	24,222	21,346	21,346	10,900	109,000	
3.1	Total agreed funding (US \$)	257,500	0	200,000	176,250	176,250	90,000	900,000	
3.2	Total support costs (US \$)	31,186	0	24,222	21,346	21,346	10,900	109,000	
3.3	Total agreed costs (US \$)	288,686	0	224,222	197,596	197,596	100,900	1,009,000	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								11.00
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0.00
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								41.15

## APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first 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. Monitoring of the HPMP activities will be done through the existing Project Monitoring Office that was set up under the TPMP project. Additional experts will be hired on a regular basis to assist with more specific and technical requirements of the project. The Project Monitoring Unit will work together with the National Ozone Unit to draft the necessary progress reports and meet all reporting requirements of the project.

2. Furthermore, the role of the Natural Environment Management Authority, which is the ODS licensing authority in Kenya will also be readdressed to ensure that this very important aspect of the HPMP, enforcement of ODS regulations, is done effectively.

#### **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.

- (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) 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, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) 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 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 \$164 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.

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