



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/80/51
17 October 2017

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eightieth Meeting
Montreal, 13-17 November 2017

PROJECT PROPOSALS: TIMOR-LESTE

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

Phase-out

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Timor-Leste

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNDP, UNEP (lead)	63 rd	10 per cent by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2016	0.09 (ODP tonnes)
--	------------	-------------------

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2016	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.09				0.09

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.50	Starting point for sustained aggregate reductions:	0.50
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.05	Remaining:	0.45

(V) BUSINESS PLAN		2017	Total
UNEP	ODS phase-out (ODP tonnes)	0.0	0.0
	Funding (US \$)	18,532	18,532
UNDP	ODS phase-out (ODP tonnes)	0.0	0.0
	Funding (US \$)	11,641	11,641

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2017	Total
Montreal Protocol consumption limits			n/a	n/a	0.5	0.5	0.45	0.45	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.5	0.5	0.45	0.45	n/a
Agreed funding (US\$)	UNDP	Project costs	96,120	0	0	0	10,680	0	106,800
		Support costs	8,651	0	0	0	961	0	9,612
	UNEP	Project costs	93,500	0	55,000	0	16,400	0	164,900
		Support costs	12,155		7,150	0	2,132	0	21,437
Funds approved by ExCom (US\$)		Project costs	189,620	0	55,000	0	0	0	244,620
		Support costs	20,806	0	7,150	0	0	0	27,956
Total funds requested for approval at this meeting (US\$)		Project costs	0	0	0	0	0	27,080*	27,080*
		Support costs	0	0	0	0	0	3,093	3,093

*The third and final tranche should have been submitted in 2015.

Secretariat's recommendation:	Blanket approval
--------------------------------------	------------------

PROJECT DESCRIPTION

1. On behalf of the Government of Timor-Leste, UNEP, as the lead implementing agency, has submitted a request for funding for the third and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the total cost of US \$30,173, consisting of US \$16,400, plus agency support costs of US \$2,132 for UNEP, and US \$10,680, plus agency support costs of US \$961 for UNDP, as originally submitted¹. The submission includes a progress report on the implementation of the second tranche and the tranche implementation plan for 2018 to 2019.

Report on HCFC consumption

CFC and HCFC consumption

2. Stage I of the HPMP for Timor-Leste also included activities to phase out CFCs, as the country had not implemented a CFC phase-out programme. As reported by the Government, no CFCs have been imported into Timor-Leste since 2010.

3. HCFC-22 is the only ozone-depleting substance (ODS) being imported in Timor-Leste. The 2016 consumption of 0.09 ODP tonnes is 83 per cent below the HCFC baseline and 80 per cent below the maximum allowable consumption target set in the Agreement. The 2010-2016 HCFC consumption is shown in Table 1.

Table 1: HCFC consumption in Timor-Leste (2010-2106 Article 7 data)

HCFC-22	2009	2010	2011	2012	2013	2014	2015	2016	2017*	Baseline
Metric tonnes	9.3	8.8	2.81	3.90	5.24	5.58	7.48	1.56	6.00	9.08
ODP tonnes	0.5	0.5	0.15	0.21	0.29	0.31	0.41	0.09	0.33	0.50

*Estimated, based on the amount of 3.5 mt imported in the first seven months.

4. The very low consumption of HCFCs in 2011 and 2012 was due to under-reporting of imports as the licensing system only came into effect in 2013. The high imports in 2015 was possibly due to stockpiling which in turn led to lower imports of HCFCs in 2016. Although the HCFC consumption has been fluctuating, overall, it shows a decreasing trend due to the implementation of the HPMP and gradual introduction of alternative technologies. Since 2013, approximately 9,000 units of R-410A-based air-conditioners and 1,000 units of HFC-32-based air-conditioners have been imported.

Country programme (CP) implementation report

5. The Government of Timor-Leste reported HCFC sector consumption data under the 2016 CP implementation report which is consistent with that reported under Article 7 of the Montreal Protocol.

Progress report on the implementation of stage I of the HPMP

Legal framework

6. The Government of Timor-Leste issued a Decree Law (Decree Law No. 36/2012), effective on 14 August 2012, which, *inter alia*, established a licensing and quota system to control the import and export of ODS, including HCFCs and CFCs; and a ban on imports of CFCs and equipment containing/using CFCs. An administrative procedure for implementing the licensing and quota system has been established and is being implemented. The HCFC licensing and quota system has been operational since 2013.

¹ As per the letter of 22 August 2017 from the Ministry of Commerce, Industry and Environment of Timor-Leste to UNEP.

7. In close coordination with the Directorate General for Customs and the Ministry of Finance, the latest (2012 version) Harmonized Commodity Description and Coding System (HS codes) has been adopted, enabling customs officers to distinguish HCFCs. A Memorandum of Cooperation has been signed by the National Ozone Unit (NOU), the Customs Department and the Ministry of Finance to strengthen the cooperation in implementing the licensing and quota system.

Refrigeration servicing sector

8. During the implementation of the second tranche, five trainers were trained in HCFC monitoring and import control through south-south cooperation in Indonesia and Malaysia. Five workshops were organized and 83 customs and enforcement officers, brokers and other stakeholders were trained in monitoring and identifying ODS in ports and along the borders; 24 customs officers were trained in applying newly adopted HS codes. Three refrigerant identifiers were provided to enable the identification of HCFC blends.

9. Eight trainers were trained in servicing refrigeration and air-conditioning (RAC) equipment in Indonesia and Malaysia through south-south cooperation; five workshops were organized and 71 technicians were trained in good servicing practices and servicing with alternative refrigerants. Good servicing practices have been introduced into the curriculum of three vocational schools that provide training in the installation and servicing of RAC equipment. A Memorandum of Understanding was signed with the State Secretariat of Labour and Professional Development to strengthen cooperation in technicians' training.

10. Tools and equipment, including recovery and recycling machines, servicing toolboxes, vacuum pumps, refrigerant identifiers have been purchased and are expected to be delivered to training schools and servicing workshops in September 2017. This equipment will ensure the sustainability of technician training.

11. Awareness-raising materials for the phase-out of CFCs and HCFCs were developed and distributed to customs, importers, servicing workshops and technicians, and other stakeholders. Five coordination meetings were held to raise awareness on the licensing and quota system for HCFC imports.

Project implementation and monitoring unit (PMU)

12. The NOU monitors and coordinates the implementation of the HPMP, with the assistance of a national consultant. An ODS taskforce has been established comprising representatives from Government departments and private organizations, to advise on policies issues related to the implementation of ODS phase-out programme.

Status of disbursement

13. As of August 2017, of the US \$244,620 approved so far, US \$157,917 had been disbursed (US \$96,797 for UNEP and US \$61,120 for UNDP) as shown in Table 2. The balance of US \$86,703 will be disbursed in 2017.

Table 2: Financial report of stage I of the HPMP for Timor-Leste (US \$)

Agency	First tranche		Second tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNEP	93,500	83,733	55,000	13,064	148,500	96,797
UNDP	96,120	61,120	0	0	96,120	61,120
Total	189,620	144,853	55,000	13,064	244,620	157,917
Disbursement rate (%)	76		24		65	

Implementation plan for the third and final tranche of stage I of the HPMP

14. The following activities will be implemented until December 2018:
- (a) Review of the existing procedures for monitoring the import and export of ODS and identify areas that need further improvement. This activity is preparatory work for regulatory action to be taken in stage II (UNEP, funding from institutional strengthening budget);
 - (b) Training of 30 customs officers with a focus on the use of the 2012 HS codes (UNEP) (US \$5,000);
 - (c) Training of 30 technicians in good servicing practices and servicing with alternatives to HCFCs (UNEP) (US \$5,000);
 - (d) Deliver tools and equipment (refrigerant recovery machines, recovery cylinders, servicing toolbox, refrigerant recovery kits, vacuum pumps, refrigerant identifiers, a recycling machine); and training of 15 trainers from vocational schools and large servicing workshops in using these tools and equipment (UNDP) (US \$45,680) (US \$10,680 from the third tranche and US \$35,000 from the first tranche); and
 - (e) Raise public awareness, coordinate and monitor project implementation through discussing with stakeholders about the achievements and lessons learned from stage I, and identifying areas to be addressed in stage II (UNEP) (US \$6,400).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Progress report on the implementation of the second tranche of the HPMP*Legal framework*

15. Although the consumption in 2016 was only 0.09 ODP tonnes, considering the historical fluctuation of imports and the actual demand for HCFCs in the country, the Government of Timor-Leste has already issued HCFC import quotas for 2017 at 0.44 ODP tonnes, which is below the Montreal Protocol control target of 0.45 ODP tonnes.

Refrigeration servicing sector

16. The Secretariat noted that the purchase of tools and equipment had been delayed due to the challenges in finding a local supplier as required by the Government's procurement procedure. This issue has been resolved, and the tools and equipment are expected to be delivered in September 2017.

17. With regard to the sustainability of the CFC phase-out, UNEP clarified that the NOU has been monitoring the supply of CFCs closely, in collaboration with the Customs, and no import and use has been found. The NOU will continue monitoring CFC imports.

18. The Secretariat noted that the alternative technologies introduced to replace HCFC-22 are R-410A and HFC-32 and enquired about the promotion of low-global warming potential (GWP) technologies. UNEP informed that the promotion of low-GWP alternatives would be addressed in stage II of the HPMP through end-user conversion and an awareness-raising programme.

Date of completion of stage I

19. The Government of Timor-Leste has requested, through UNEP, to extend the completion of stage I of the HPMP from 31 December 2017 to 31 December 2018 to allow implementation of the third tranche. A project completion report will be submitted to the second meeting of 2019. Stage II of the HPMP has been submitted for consideration to the 80th meeting.

Conclusion

20. The Government of Timor-Leste has been enforcing its HCFC import and export licensing and quota system. The HCFC consumption is below the Montreal Protocol control targets. Training and refrigerant identifiers have been provided to Customs officers to enable effective monitoring and control of HCFC imports. Activities conducted in the servicing sector, including training of technicians and provision of tools and equipment, will reduce leakage rates and consumption of HCFCs. The awareness-raising activities and collaboration among Government departments in enforcing the licensing and quota system, providing training to technicians and customs officers and introducing good servicing practices into the curriculum of vocational schools will ensure the long-term sustainability of HCFC phase-out.

RECOMMENDATION

21. The Fund Secretariat recommends that the Executive Committee:

- (a) Take note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Timor-Leste; and
- (b) Request the Government of Timor-Leste, UNEP and UNDP to complete stage I of the HPMP by 31 December 2018, and to submit the project completion report to the second meeting of the Executive Committee in 2019.

22. The Fund Secretariat further recommends blanket approval of the third and final tranche of stage I of the HPMP for Timor-Leste, and the corresponding 2018-2019 tranche implementation plan, at the funding levels shown in the table below:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third and final tranche)	16,400	2,132	UNEP
(b)	HCFC phase-out management plan (stage I, third and final tranche)	10,680	961	UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Timor-Leste

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2016	0.09 (ODP tonnes)
---	------------	-------------------

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2016	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.09				0.09

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.50	Starting point for sustained aggregate reductions:	0.50
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.05	Remaining:	0.45

(V) BUSINESS PLAN*		2017	2018	After 2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.05	0.05	0.05	0.15
	Funding (US \$)	121,305	89,091	23,377	233,773
UNDP	ODS phase-out (ODP tonnes)	0	0	0	0
	Funding (US \$)	0	0	0	0

*Reflects only UNEP component.

(VI) PROJECT DATA			2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			0.45	0.45	0.45	0.33	0.33	0.33	0.33	0.33	0.16	n/a
Maximum allowable consumption (ODP tonnes)			0.45	0.39	0.39	0.30	0.30	0.28	0.28	0.17	0.11	n/a
Project costs requested in principle (US\$)	UNEP	Project costs	83,000	0	0	62,000	0	0	41,000	0	20,880	206,880
		Support costs	10,790	0	0	8,060	0	0	5,330	0	2,714	26,894
	UNDP	Project costs	55,000	0	0	41,500	0	0	27,500	0	13,920	137,920
		Support costs	4,950	0	0	3,735	0	0	2,475	0	1,253	12,413
Total project costs requested in principle (US\$)			138,000	0	0	103,500	0	0	68,500	0	34,800	344,800
Total support costs requested in principle (US\$)			15,740	0	0	11,795	0	0	7,805	0	3,967	39,307
Total funds requested for approval at this meeting (US\$)			153,740	0	0	115,295	0	0	76,305	0	38,767	384,107

(VII) Request for funding for the first tranche (2017)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNEP (lead)	83,000	10,790
UNDP	55,000	4,950

Funding request:	Approval of funding for the first tranche (2017) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

23. On behalf of the Government of Timor-Leste, UNEP, as the lead implementing agency, has submitted stage II of the HCFC phase-out management plan (HPMP) at the total cost of US \$384,107, consisting of US \$206,880, plus agency support costs of US \$26,894 for UNEP, and US \$137,920, plus agency support costs of US \$12,413 for UNDP, as originally submitted². The implementation of stage II of the HPMP will phase out 0.29 ODP tonnes of HCFCs to achieve 67.5 per cent reduction in HCFC baseline consumption by 2025, as originally submitted.

24. The first tranche of stage II of the HPMP being requested at this meeting amounts to US \$197,606, consisting of US \$107,350, plus agency support costs of US \$13,956 for UNEP, and US \$70,000, plus agency support costs of US \$6,300 for UNDP, as originally submitted.

Status of implementation of stage I of the HPMP

25. The progress in the implementation of stage I of the HPMP for Timor-Leste, including a report on the legal framework, activities in servicing sector, project implementation and monitoring unit and status of fund disbursement, is presented in paragraphs 6 to 13 above.

Stage II of the HPMP

Remaining eligible consumption in Timor-Leste

26. After deducting the 0.05 ODP tonnes of HCFC-22 phased out in stage I, from the 0.5 ODP tonnes of HCFC baseline consumption, the remaining eligible consumption for Timor-Leste amounts to 0.45 ODP tonnes.

HCFC consumption

27. The report on HCFC consumption is presented in paragraphs 2 to 4 above.

HCFC phase-out strategy and proposed activities in stage II of the HPMP

28. Stage II will strengthen national capacity to limit the supply of HCFCs, prevent new demand for HCFCs and promote the adoption of low-GWP and energy-efficient alternative technologies to sustain HCFC phase-out. It also foresees regulatory actions, technical assistance for the refrigeration servicing sector, a public awareness programme, and project coordination and management. The lessons learned and infrastructure established during the implementation of stage I of the HPMP will be utilized in stage II.

Regulatory measures

29. The following regulatory measures will be implemented:

- (a) Amend the Decree Law to introduce the 2017 version of the HS codes; ban the import of all HCFCs including blends, except for HCFC-22; restrict the import of new HCFC-based equipment; ban the import of second-hand HCFC-based air-conditioners (AC); and ban the import and installation of HCFC-22-based refrigeration and air-conditioning (RAC) equipment with cooling capacity larger than 60,000 BTU³ per hour;

² As per the letter of 02 August 2017 from the Ministry of Commerce, Industry and Environment of Timor-Leste to UNEP.

³ BTU: British thermal unit (equivalent to 0.293° Watt-hour).

- (b) Ban the use of HCFC-based equipment in Government projects through the public procurement policy; and
- (c) Implement mandatory labeling of containers of HCFC-22 imported into the country.

30. Stage II of the HPMP will further train 40 trainers and 280 customs officers in the monitoring and identification of HCFCs, blends and HCFC-based equipment, the use of HS codes, and the inspection of flammable refrigerants at Customs. To address the issue of the rotation of customs officers, the NOU will work closely with the Customs department to provide twice-yearly specific training on the Montreal Protocol and the licensing system to newly assigned officers.

Activities in the refrigeration servicing sector

31. Stage II of the HPMP will continue to build the capacity of the servicing sector by training technicians in good servicing practices, limiting the growth of new demand for HCFCs, and promoting low-GWP alternatives. A code of good practices for the installation and servicing of RAC equipment, including handling of flammable alternatives, will be developed and incorporated into the curriculum for technician training.

32. It is planned that 30 trainers and 270 technicians will be trained in good practices and in servicing with alternatives, including flammable and toxic refrigerants, in anticipation of the possible introduction of these technologies in stage II. Training of technicians in handling flammable alternatives will focus on new equipment and will clearly forbid any drop-ins or retrofits to flammable or toxic alternative technologies. A certification programme for refrigeration technicians will also be implemented.

33. A pilot replacement programme will be implemented to replace 270 domestic ACs and four larger RAC applications with low-GWP technologies, potentially HFC-32, HC-290, ammonia and CO₂-based technologies. It will provide information on the performance and safety of the replacement technologies, and will include training of technicians in the installation, operation, servicing and maintenance of equipment with the demonstrated technologies.

34. Awareness and outreach activities will also be conducted to promote the Government policy and low-GWP technologies.

Total cost of stage II of the HPMP

35. In accordance with decision 74/50, the eligible funding level for Timor-Leste to achieve a 67.5 per cent reduction in HCFC baseline consumption by 2025 would be US \$396,500. In stage I, US \$271,700 was approved to phase out CFC and HCFC, of which US \$220,000 was to assist the country to establish the infrastructure to sustain CFC phase-out; and US \$51,700 was for stage I of the HPMP. Therefore, the remaining funding eligible for stage II of the HPMP would be US \$344,800. The cost breakdown and activities planned in stage II of the HPMP are shown in Table 1.

Table 1. Overall cost of stage II of the HPMP for Timor-Leste

Activities	Implementing agency	2017	2020	2023	2025	Total funding (US \$)
Policy, regulations and enforcement						
Policy review and amendments of existing regulations	UNEP	11,500	1,500	0	0	13,000
Training of 40 trainers and 280 customs and enforcement officers	UNEP	25,500	26,300	22,080	8,000	81,880
Capacity building of RAC servicing sector						
Training of 30 trainers and 270 RAC technicians in good practices and handling of flammable/toxic refrigerants	UNEP	20,000	29,000	15,000	6,000	70,000
Development of national code of good practices handbook and national training curriculum	UNEP	8,000	1,500	0	0	9,500
Certification of RAC technicians	UNEP	10,000	0	0	0	10,000
Pilot replacement programme						
Pilot replacement programme of HCFC-based RAC equipment, provision of tools	UNDP	55,000	41,500	27,500	13,920	137,920
Education and public awareness						
Education and public awareness	UNEP	8,000	3,700	3,920	6,880	22,500
Project management and monitoring						
Project management and monitoring	UNEP	0	0	0	0	0
Total cost of stage II of the HPMP		138,000	103,500	68,500	34,800	344,800

36. The cost for project management and monitoring was not requested from the Multilateral Fund. The Government will provide US \$70,000 co-funding for this purpose.

Activities planned for the first tranche of stage II

37. The funds requested for the first tranche amount to US \$138,000, as shown in Table 1. The activities include: policy review and amendment of existing regulations; training of 20 trainers, 120 customs officers and 15 customs brokers and importers; training of 15 trainers and 115 RAC technicians; developing a national code of good practices and national training curriculum; implementing a technician certification programme; introducing a pilot HCFC replacement programme; implementing a public awareness programme; and continuing project monitoring and coordination (co-funding by the Government).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

38. The Secretariat reviewed stage II of the HPMP for Timor-Leste in light of stage I of the HPMP, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2017-2019 business plan of the Multilateral Fund.

Commitment by the Government to meet the control measures in 2020 and 2025

39. In line with decision 74/50(c)(xi)a, the Government of Timor-Leste has submitted a letter indicating its commitment to achieve the 67.5 per cent reduction of HCFC baseline consumption.

HCFC consumption

40. The Secretariat noted the HCFC consumptions reported for 2016 and estimated for 2017 were lower than the maximum allowable consumption under the Montreal Protocol for those years and suggested if the Government could consider a faster reduction in HCFC consumption. Following consultation with the industry facilitated by the NOU through UNEP, and taking into consideration the national circumstances for economic growth and infrastructure development, the Government agreed to accelerate HCFC phase-out and to enforce a more stringent control targets than the Montreal Protocol phase-out schedule in stage II as indicated in Table 2.

Table 2: Revised phase-out targets for stage II of the HPMP for Timor-Leste (mt)

Years	2018	2019	2020	2021	2022	2023	2024	2025
Montreal Protocol control targets	8.17	8.17	5.90	5.90	5.90	5.90	5.90	2.95
Control targets committed by the Government	7.00	7.00	5.50	5.50	5.00	5.00	3.00	2.00

Technical issues

41. With regard to the sustainability of the pilot equipment replacement programme, the plan is to provide an incentive (25-35 per cent of the total cost) to end-users by UNDP and the rest co-financed by the end-users. The end-users will choose the technology and be responsible for maintaining these equipment, and the NOU will monitor the programme. Training of technicians has been included in the pilot programme to ensure long-term sustainability of the converted technologies.

Impact on the climate

42. The proposed activities in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in a savings of approximately 1.8 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Timor-Leste, in particular its efforts to promote low-GWP alternatives through the pilot replacement programme, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, therefore resulting in benefits for the climate.

Co-financing

43. The Government will provide US \$70,000 for project management and monitoring.

2017-2019 business plan of the Multilateral Fund

44. UNEP and UNDP are requesting US \$344,800, plus agency support costs, for the implementation of stage II of the HPMP. The total funding requested for the period 2017-2019 of US \$197,606 including agency support costs is US \$76,301 above the total amount in the business plan for this period.

Draft agreement

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

RECOMMENDATION

46. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Timor-Leste for the period 2017 to 2025 to reduce HCFC consumption by 78 per cent of the baseline, in the amount of US \$384,107, consisting of US \$206,880, plus agency support costs of US \$26,894 for UNEP, and US \$137,920, plus agency support costs of US \$12,413 for UNDP;
- (b) Noting the commitment of the Government of Timor-Leste to reduce HCFC consumption by 40 per cent by 2020 and 78 per cent by 2025;
- (c) Deducting 0.34 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Timor-Leste and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex I to the present document; and
- (e) Approving the first tranche of stage II of the HPMP for Timor-Leste, and the corresponding tranche implementation plans, in the amount of US \$153,740, consisting of US \$83,000, plus agency support costs of US \$15,740 for UNEP, and US \$55,000, plus agency support costs of US \$4,950 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 HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN

Purpose

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 0.11 ODP tonnes by 1 January 2025 in compliance with Montreal Protocol schedule.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
 - (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

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

Flexibility in the reallocation of funds

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

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

Considerations for the refrigeration servicing sector

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

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

Bilateral and implementing agencies

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 the cooperating implementing agency (the “Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA and/or Cooperating IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The Cooperating IA will support the Lead IA by implementing the Plan under the overall co-ordination of the Lead IA. The roles of the Lead IA and Cooperating IA are contained in Appendix 6-A and Appendix 6-B, respectively. 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.

Non-compliance with the Agreement

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 decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions 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.

Date of completion

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

Validity

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.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	0.5

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.45	0.45	0.45	0.33	0.33	0.33	0.33	0.33	0.16	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.45	0.39	0.39	0.30	0.30	0.28	0.28	0.17	0.11	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	83,000	0	0	62,000	0	0	41,000	0	20,880	206,880
2.2	Support costs for Lead IA (US \$)	10,790	0	0	8,060	0	0	5,330	0	2,714	26,894
2.3	Cooperating IA (UNDP) agreed funding (US \$)	55,000	0	0	41,500	0	0	27,500	0	13,920	137,920
2.4	Support costs for Cooperating IA (US \$)	4,950	0	0	3,735	0	0	2,475	0	1,253	12,413
3.1	Total agreed funding (US \$)	138,000	0	0	103,500	0	0	68,500	0	34,800	344,800
3.2	Total support cost (US \$)	15,740	0	0	11,795	0	0	7,805	0	3,967	39,307
3.3	Total agreed costs (US \$)	153,740	0	0	115,295	0	0	76,305	0	38,767	384,107
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										0.34
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)										0.05
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										0.11

*Date of completion of stage I of the HPMP is December 2018.

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 TRANCHE IMPLEMENTATION REPORTS AND PLANS

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

- (a) A narrative report, with data provided by tranche, describing the progress achieved since 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 the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds

during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;

- (b) An independent verification report of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
 - (c) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and 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 also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
 - (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and
 - (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).
2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:
- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
 - (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Directorate General for Environment of the Ministry of Commerce, Industry and Environment (MCIE) will be responsible for the overall project monitoring of all activities under stage II of the HPMP. The national ozone unit (NOU) will be responsible for the planning, coordination, implementation of daily work of the project implementation. It will also assist the Government and non-governmental organizations, to streamline their activities for smooth implementation of the projects. The NOU will submit annual progress reports on the status of the implementation to the Lead IA and the Cooperating IA to monitor implementation progress stage II of the HPMP.

2. Annual consumption of HCFCs and other ODSs will be monitored through MCIE in collaboration with the Directorate General for Customs. MCIE is a licensing authority to issue import and export permit, while the Directorate General for Customs will control and monitor the import and export of HCFCs and

other ODS at the point of entry. The NOU will liaise with importers of HCFCs and other ODS to obtain necessary data for reconciliation of statistics on the periodically basis.

3. NOU will undertake regular inspection to monitor the implementation of labelling requirement for HCFC cylinders. NOU will also undertake market survey to gauge the penetration of non-HCFC substitutes and alternative technologies in the refrigeration and air-conditioning (RAC) sector. NOU will monitor the implementation of capacity building activities with relevant agencies e.g. RAC technician training and customs and enforcement officers training.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
 - (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
 - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
 - (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
 - (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee, and should include the activities implemented by the Cooperating IA;
 - (f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HCFC consumption targets had been met;
 - (g) Ensuring that appropriate independent technical experts carry out the technical reviews;
 - (h) Carrying out required supervision missions;
 - (i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
 - (j) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
 - (k) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the Cooperating IA, the allocation of the reductions to the different budget items and to the funding of the Lead IA and each Cooperating IA;

- (l) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (m) Providing assistance with policy, management and technical support when required;
- (n) Reaching consensus with the Cooperating IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan; and
- (o) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

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 AGENCIES

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

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

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, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.