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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-fourth Meeting  
Montreal, 16–20 December 2019

**PROJECT PROPOSAL: IRAQ**

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

Phase-out

- HCFC phase-out management plan (stage I, third tranche) UNEP and UNIDO

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

## Iraq

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (Stage I)	UNEP (lead), UNIDO	65 <sup>th</sup>	13.82% by 2017

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2018	92.68 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2018	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				4.95	87.18				92.13

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	108.38	Starting point for sustained aggregate reductions:	108.38
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	14.98	Remaining:	93.40

(V) BUSINESS PLAN		2019	Total
UNEP	ODS phase-out (ODP tonnes)	2.79	2.79
	Funding (US \$)	247,634	247,634
UNIDO	ODS phase-out (ODP tonnes)	2.67	2.67
	Funding (US \$)	225,750	225,750

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Montreal Protocol consumption limits			n/a	n/a	108.38	108.38	97.54	97.54	97.54	97.54	97.54	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	102.2	97.7	93.4	93.4	93.4	93.4	93.4	n/a
Agreed funding (US \$)	UNEP	Project costs	115,000	0	0	0	325,000	0	0	0	220,000	545,000
		Support costs	14,144	0	0	0	40,822	0	0	0	27,634	68,456
	UNIDO	Project costs	80,000	0	0	0	230,000	0	0	0	210,000	440,000
		Support costs	6,000	0	0	0	17,250	0	0	0	15,750	33,000
Funds approved by ExCom (US \$)	Project costs		195,000	0	0	0	555,000	0	0	0	0	750,000
	Support costs		20,144	0	0	0	58,072	0	0	0	0	78,216
Total funds requested for approval at this meeting (US \$)	Project costs										430,000	430,000
	Support costs										43,384	43,384

Note: Revised agreement to be considered at the 84<sup>th</sup> meeting

<b>Secretariat's recommendation:</b>	Individual consideration
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## PROJECT DESCRIPTION

1. On behalf of the Government of Iraq, 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 a total cost of US \$473,384, consisting of US \$220,000, plus agency support costs of US \$27,634 for UNEP, and US \$210,000, plus agency support costs of US \$15,750 for UNIDO.<sup>1</sup> The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption for 2015 to 2018, the tranche implementation plan for 2020 and a request for extension of stage I of the HPMP.

### Introduction

2. The third funding tranche of stage I of the HPMP for Iraq should have been submitted for approval in 2017. However, due to political and institutional limitations beyond the control of the national ozone unit (NOU), the country's ability to release the funds and implement activities was severely limited for several years. In spite of these circumstances, the Government of Iraq has managed to achieve and sustain compliance with the HCFC consumption targets through enhanced regulatory measures and a stringent control of ODS trade. The Ministry of Environment has also been able to continue building the national infrastructure and partnerships for the implementation of the HPMP.

3. With the overall improvement of the situation in the country, the activities approved under stage I are now in a more advanced stage of implementation and the Government is submitting the third tranche for consideration at the 84<sup>th</sup> meeting, noting that:

- (a) The improved security conditions and political stability after the liberation of all parts of Iraq will greatly facilitate the speedy delivery of planned activities and will make it possible for experts and consultants to visit the country as required;
- (b) The Ministries of Environment and Finances have established a new mechanism to streamline the process for releasing and managing funds received from the Multilateral Fund; and
- (c) The established technical team has been working on the activities approved under stage I.

4. In order to allow the completion of ongoing activities in the refrigeration servicing sector, the Government of Iraq submitted a request to extend stage I of the HPMP, from 2017 to 2020, and to maintain the reduction target of 13.8 per cent below the HCFC consumption baseline up to 2019. This extension would allow for the timely implementation of the final tranche, to be approved in 2019.

5. Further to extensive discussions with UNEP (reflected in the Secretariat's comments section of the present document) and after receiving assurances that both UNEP and UNIDO will be able to assist the Government in completing the ongoing activities under stage I of the HPMP, the Secretariat is submitting the request by the Government of Iraq for consideration by the Executive Committee.

### Report on HCFC consumption

6. The Government of Iraq reported a consumption of 92.68 ODP tonnes of HCFC in 2018, which is 14.5 per cent below the HCFC baseline for compliance. The 2014-2018 HCFC consumption is shown in Table 1.

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<sup>1</sup> As per the letter of 1 September 2019 from the Ministry of Environment of Iraq to UNEP.

**Table 1. HCFC consumption in Iraq (2014-2018 Article 7 data)**

<b>HCFC-22</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Baseline*</b>
Metric tonnes	1,760.50	1,698.00	1,695.00	1,664.00	1,685.09	<b>1,970.9</b>
ODP tonnes	96.83	93.39	93.22	91.52	92.68	<b>108.4</b>

\*The baseline includes 0.05 ODP tonnes of HCFC-124 and 0.09 ODP tonnes of HCFC-142b. However, these substances have not been consumed since 2010.

7. The activities being implemented under stage I have contributed to maintaining the same level of consumption in spite of increased demand for HCFC-based equipment due to population and economic growth. The Government plans to meet the 2020 target through strict enforcement of the licensing system in combination with completion of the ongoing phase-out activities under stage I. It is expected that more significant reductions in HCFC consumption will take place upon implementation of the investment components planned under stage II of the HPMP.

#### *Country programme (CP) implementation report*

8. The Government of Iraq reported HCFC sector consumption data under the 2018 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol. The estimated level of use of HCFCs in 2018 reported in the CP implementation report was slightly lower (10 mt or 0.55 ODP tonnes) than the level of imports reported under the Article 7 report.

#### *Verification report*

9. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs for 2015 to 2018 were those reported under Article 7 of the Montreal Protocol. The verification concluded that Iraq is in compliance with the maximum allowable consumption levels established in its Agreement with the Executive Committee.

#### Progress report on the implementation of the second tranche of the HPMP

##### *Legal framework*

10. The ozone regulation from 2012 was updated with a new legal instruction from the Ministry of Environment and the Council of Ministers urging importers, ministries, and institutions to reduce the use and import of HCFC-based equipment.

11. Although the legislation does not require licensing for alternatives to ODS, it allows the Ministry of Environment to include them in the procedures for issuing import permits as part of the arrangements to strictly control ODS import/export and to enable the NOU to collect data to better understand market trends.

##### *Refrigeration servicing sector*

12. The following progress has been achieved in regard to the plan of action for the second tranche:

- (a) Strict enforcement of the import licensing and quota system including workshops for stakeholders to ensure proper implementation and enforcement of the national legislation; establishment of a national legislative enforcement committee with participation of the Ministries of Environment, Trade and Industry, the general authority for customs, and standardization and quality control. Procurement and distribution to customs entry points of eight additional portable identifiers for blends;

- (b) Establishment of a specialized team and initiation of the review and updating of all standards and codes related to HCFC consuming sectors including equipment, refrigerants, refrigerant containers and hazardous refrigerants;
- (c) Update of the curriculum of all refrigeration training centres, publication of a supporting booklet entitled “Protecting the ozone layer by good practice” and its distribution to training centres to support instructors and trainers in the delivery of the updated curricula;
- (d) Start-up of a national refrigeration and air-conditioning (RAC) technician certification programme with the participation of 10 training centres; establishment of a coordination committee to set up the examination process and certification criteria for qualified RAC technicians; establishment of an inspection and evaluation committee to monitor the certification of practicing RAC technicians; designation of the Ministry of Labour as the body legally responsible for training and certifying technicians; and training and certification of 150 RAC technicians. Starting in 2021, servicing workshops will be required to employ certified RAC technicians and renew their business licenses;
- (e) Procurement and distribution to training centres of 100 sets of ancillary kits for the recovery units including filter and cylinders. Additional training and equipment to upgrade three training centres to conduct certification will be completed in the last quarter of 2019; and
- (f) Training on new technologies and highly efficient refrigeration equipment provided to technicians serving large RAC systems; development and distribution to end-users of awareness materials on low-GWP alternatives to HCFC in different applications; and seminars and interviews through national media to raise awareness of all stakeholders on HCFC phase-out related issues. Training on HCFC phase-out and alternative technologies addressed to decision-makers is planned for December 2019.

#### Project implementation and monitoring unit (PMU)

13. The main activities implemented by the PMU include the preparation of a work plan with dedicated teams and groups for the HPMP; the organization of workshops, training programmes and events; the development and circulation of support documentation and awareness materials; and reporting to the NOU and to UNEP on the progress of the project. The PMU incurred costs of US \$90,000, which included personnel (US \$41,400), training workshops and meetings (US \$40,000) and miscellaneous expenses (US \$8,600).

#### Level of fund disbursement

14. As of October 2019, of the US \$750,000 approved so far, US \$355,366 had been disbursed (US \$275,366 for UNEP and US \$80,000 for UNIDO), as shown in Table 2. The balance of US \$394,634 will be disbursed in 2020.

**Table 2. Financial report of stage I of the HPMP for Iraq (US \$)**

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNEP	115,000	113,266	325,000	162,100	440,000	275,366
UNIDO	80,000	80,000	230,000	0	310,000	80,000
<b>Total</b>	<b>195,000</b>	<b>193,266</b>	<b>555,000</b>	<b>162,100</b>	<b>750,000</b>	<b>355,366</b>
<b>Disbursement rate (%)</b>	99		29		47	

Implementation plan for the third and final tranche of the HPMP

15. The following activities will be implemented in 2020:
- (a) Consultation meetings with stakeholders, drafting ODS legislation, conducting national enforcement workshops and training sessions for Government authorities and key stakeholders on ODS legislation and enforcement (UNEP) (US \$20,000);
  - (b) Development of an electronic licensing system tailored to local conditions, including installation, and training of local staff and importers on the system (UNEP) (US \$40,000);
  - (c) Continued work on national standards and codes related to HCFCs, including updating and developing specifications for safety and environmental requirements for RAC systems, and standards and requirements for refrigerant designation and composition, refrigerant containers, labeling, and recovery and reclamation of refrigerants (UNEP) (US \$20,000);
  - (d) Purchase of laboratory equipment (e.g., moisture tester, equipment to inspect and pressure test recovery cylinders) to support three reclaiming centres (UNIDO) (US \$210,000);
  - (e) Training and certification of an additional 500 technicians in different servicing sub-sectors on good servicing practices (UNEP) (US \$65,000);
  - (f) Design and implementation of a training programme for the promotion of national codes of practice, including a technical awareness campaign for large end-user sectors, such as government, industrial, and commercial buildings (UNEP) (US \$15,000);
  - (g) Promotion of the updated curricula on good practices in the country through booklets, training manuals and electronic references (UNEP) (US \$15,000); and
  - (h) Sustaining the operation of the PMU to implement remaining activities under the HPMP and supporting the NOU in monitoring implementation (UNEP) (US \$45,000, including personnel (US \$20,700), training workshops and meetings (US \$40,000) and miscellaneous expenses (US \$4,300)).

**SECRETARIAT'S COMMENTS AND RECOMMENDATION**

**COMMENTS**

Extension of stage I and postponement of stage II

16. UNEP submitted to the 84<sup>th</sup> meeting the request for funding in principle stage II of the HPMP and the request for funding the first tranche of stage II, along with the last funding tranche of stage I and the request for the extension of stage I, which had already been extended at the 74<sup>th</sup> meeting from 2016 to 2018.

17. In justifying the funding requests for the last tranche of stage I and the first tranche of stage II at the same time, UNEP indicated that, even though the level of disbursement from the second tranche was only 29 per cent, additional US \$690,000 were already obligated for ongoing activities that will be completed by 2020. The funds requested under the third tranche will be used to complete the work already initiated under previous tranches, and the activities proposed under stage II will sustain the phase-out achieved so far, and achieve the 67.5 per cent phase-out target in 2025.

18. Noting that the project had already been extended once, and that the circumstances of the country allow for implementation of the outstanding activities approved under stage I, the Secretariat could recommend a second extension on the understanding that no additional extensions would be requested. Subsequently, UNEP provided confirmation that all the conditions for timely delivery were in place, all planned activities would be delivered by end of 2020 and no further extensions would be requested.

19. Considering the need to focus on completing stage I, given the financial resources still available, and seeing that the activities under stage II are complementary to the ongoing activities under stage I, UNEP agreed to withdraw the request for stage II of the HPMP and resubmit it at the 85<sup>th</sup> meeting, once additional progress had been achieved towards the completion of stage I.

#### Report on HCFC consumption and verification report

20. The Secretariat noted that due to security reasons the verification report for the years 2015 to 2018 was undertaken without a visit from the consultant to the country. While this is understandable, the Secretariat had concerns regarding whether sufficient records from customs and importers had been made available to the consultant to undertake a proper verification against the import permits. In the event that this information had not been made available to the verifier selected by UNEP, the Secretariat asked whether this information could be made available to an independent local expert or institution that could undertake a verification.

21. UNEP explained that as per existing regulations, importers are required to report imports to the NOU bi-yearly and yearly, annexing supporting documents including documents from customs. The data provided by the NOU to the verifier was based on the HCFC-22 import data provided by each importer.

22. Given the importance of a verification *in-situ* to allow the independent verifier not only to review import records, but also to discuss with stakeholders, provide substantiated reassurance that the licensing and quota system are operational, and provide recommendations based on observations, and noting that the security situation has improved, the Secretariat suggested to UNEP to conduct a verification of the 2019 consumption by a local expert/audit firm that could have direct access to the different institutions involved, and submit the report together with the request for stage II of the HPMP.

#### Progress report on the implementation of the second tranche of the HPMP

##### *Legal framework*

23. The Government of Iraq has already issued HCFC import quotas for 2019 in accordance with the Agreement between the Government and the Executive Committee.

##### *Refrigeration servicing sector*

24. Noting that the estimated number of technicians in Iraq is 14,460, the Secretariat asked UNEP if the overall target of 1,000 technicians certified in stage I could be increased. UNEP indicated that taking into account the remaining time and budget in stage I this target could not be increased; however, a comprehensive strategy for the refrigeration servicing sector has been developed under stage II of the HPMP to complete the training and certification of the remaining number of technicians in addition to ensuring that all new graduates from the vocational education and training system are adequately trained.

25. On the effective operation and sustainability of the infrastructure for refrigerant containment created so far with assistance from the Multilateral Fund, UNEP explained that three reclaiming centres had been established, and recovery equipment had been distributed to serve these centres. Laboratory equipment will be procured with the last tranche of stage I to strengthen these centers. During stage II, the enforcement regime will be strengthened to facilitate the sound operation of the recovery and reclaiming

system. Upon a suggestion by the Secretariat, UNIDO confirmed that the reclaiming equipment would be able to operate with HCFCs, pure HFCs (e.g., HFC-134a) and near-azeotropic HFC blends (e.g., R-410A and R-404A); however, it would not be suited to operate with flammable refrigerants (e.g., HFC-32).

#### Revision of the HPMP Agreement

26. In order to reflect the changes in the release of the last tranche of stage I in 2019, the extension of stage I and the extension of the reduction target of 13.8 per cent below the HCFC consumption baseline up to 2019, paragraph 16 and Appendix 2-A of the Agreement between the Government and the Executive Committee have been updated, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 84<sup>th</sup> meeting.

#### Sustainability of HCFC phase-out

27. The RAC manufacturing sector in Iraq will only be addressed in stage II of the HPMP. Once addressed, it will be followed by the required regulatory measures to ensure sustained phase-out of HCFC-22 in manufacturing. In addition, during stage II, the Government and UNEP will ensure that the concepts and skills included in the training programmes for customs officers are integrated into the customs authority training programs.

#### Conclusion

28. The Secretariat noted that Iraq is in compliance with the Montreal Protocol and the HPMP Agreement with the Executive Committee. The country's import licensing and quota system is operational and will enable HCFC reductions in line with the Montreal Protocol phase-out schedule. Despite a challenging situation due to external factors, the Government of Iraq was able to implement activities in the refrigeration servicing sector, including the establishment of a technician certification system, strengthening of technician training centers and customs entry points, and end-user awareness activities. The Secretariat recommends the extension of stage I as requested in order to allow the completion of ongoing activities in the refrigeration servicing sector. Stage II of the HPMP will be submitted at the 85<sup>th</sup> meeting once additional progress has been achieved towards the completion of stage I.

### **RECOMMENDATION**

29. The Executive Committee may wish:

- (a) To note the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Iraq;
- (b) To approve the extension of the duration of stage I of the HPMP from 2018 to 2020;
- (c) To note that the Secretariat had updated the Agreement between the Government of Iraq and the Executive Committee contained in Annex I to the present document, specifically Appendix 2-A, to reflect the revised funding schedule and the extension of the duration of stage I, and paragraph 16 to indicate that the revised updated Agreement superseded that reached at the 74<sup>th</sup> meeting;
- (d) To request the Government of Iraq, UNEP and UNIDO to submit:
  - (i) The project completion report to the first meeting of the Executive Committee in 2021;

- (ii) An independent verification report for the year 2019 along with the submission of stage II of the HPMP; and
- (e) To approve the third and final tranche of stage I of the HPMP for Iraq, and the corresponding 2019 tranche implementation plan, in the amount of US \$473,384, consisting of US \$220,000, plus agency support costs of US \$27,634 for UNEP, and US \$210,000, plus agency support costs of US \$15,750 for UNIDO.

Annex I

**TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF IRAQ AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS**

(Relevant changes are in bold font for ease of reference)

16. This revised updated Agreement supersedes the Agreement reached between the Government of Iraq and the Executive Committee at the 74<sup>th</sup> meeting of the Executive Committee.

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

		2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	108.38	108.38	97.54	97.54	97.54	<b>97.54</b>	<b>97.54</b>	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	102.2	97.70	93.40	93.40	93.40	<b>93.40</b>	<b>93.40</b>	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	115,000	0	0	0	325,000	0	0	0	<b>220,000</b>	660,000
2.2	Support costs for Lead IA (US \$)	14,144	0	0	0	40,822	0	0	0	<b>27,634</b>	82,600
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	80,000	0	0	0	230,000	0	0	0	<b>210,000</b>	520,000
2.4	Support costs for Cooperating IA (US \$)	6,000	0	0	0	17,250	0	0	0	<b>15,750</b>	39,000
3.1	Total agreed funding (US \$)	195,000	0	0	0	555,000	0	0	0	<b>430,000</b>	1,180,000
3.2	Total support costs (US \$)	20,144	0	0	0	58,072	0	0	0	<b>43,384</b>	121,600
3.3	Total agreed costs (US \$)	215,144	0	0	0	613,072	0	0	0	<b>473,384</b>	1,301,600
4.1.1	Total phase-out of HCFC-22 and under this Agreement (ODP tonnes)										14.98
4.1.2	Phase-out of HCFC-22 in previously approved projects (ODP tonnes)										0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										93.40