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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fifth Meeting
Montreal, 25-29 May 2020
Postponed to 19-22 July 2020*

PROJECT PROPOSALS: ALBANIA

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, fifth tranche) UNIDO and UNEP
- HCFC phase-out management plan (stage II, first tranche) UNIDO and UNEP

* Due to coronavirus disease (COVID-19)

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Albania

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out management plan (stage I)	UNEP, UNIDO (lead)	64 th	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2018	3.88 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2019	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					3.41				3.41

(IV) CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	6.0	Starting point for sustained aggregate reductions:	6.0
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	2.1	Remaining:	3.9

(V) BUSINESS PLAN		2020	
UNEP	ODS phase-out (ODP tonnes)		0.06
	Funding (US \$)		9,605
UNIDO	ODS phase-out (ODP tonnes)		0.15
	Funding (US \$)		25,070

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	6.0	6.0	5.4	5.4	5.4	5.4	5.4	3.9	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	6.0	6.0	5.4	5.4	5.4	5.4	5.4	3.9	n/a
Agreed funding (US \$)	UNEP	Project costs	25,000	0	20,000	0	23,000	0	0	8,500	0	8,500	85,000
		Support costs	3,250	0	2,600	0	2,990	0	0	1,105	0	1,105	11,050
	UNIDO	Project costs	45,000	0	92,000	0	40,000	0	0	30,000	0	23,000	230,000
		Support costs	4,050	0	8,280	0	3,600	0	0	2,700	0	2,070	20,700
Funds approved by ExCom (US \$)	Project costs		70,000	0	112,000	0	63,000	0	0	38,500	0	0	283,500
	Support costs		7,300	0	10,880	0	6,590	0	0	3,805	0	0	28,575
Total funds requested for approval at this meeting (US \$)	Project costs											31,500	31,500
	Support costs											3,175	3,175

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Albania, UNIDO as the lead implementing agency has submitted a request for funding for the fifth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US \$34,675, consisting of US \$23,000, plus agency support costs of US \$2,070 for UNIDO, and US \$8,500, plus agency support costs of US \$1,105 for UNEP.¹ The submission includes a progress report on the implementation of the fourth tranche, the verification report on HCFC consumption for 2017 to 2019 and the tranche implementation plan for 2020-2021.

Report on HCFC consumption

2. The Government of Albania reported under country programme (CP) implementation report a consumption of 3.41 ODP tonnes of HCFC in 2019, which is 43 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Albania (2015-2019 Article 7 data)

HCFC	2015	2016	2017	2018	2019*	Baseline
Metric tonnes (mt)						
HCFC-22	46.97	67.97	54.35	70.58	61.98	102.3
HCFC-124	0.00	0.00	0.00	0	0	0.6
HCFC-142b	0.00	0.00	0.00	0	0	4.6
Total (mt)	46.97	67.97	54.35	70.58	61.98	107.4
ODP tonnes						
HCFC-22	2.58	3.74	2.99	3.88	3.41	5.70
HCFC-124	0.00	0.00	0.00	0	0	0.01
HCFC-142b	0.00	0.00	0.00	0	0	0.30
Total (ODP tonnes)	2.58	3.74	2.99	3.88	3.41	6.00

*CP data.

3. The HCFC consumption fluctuated during the period with an overall decreasing trend. The particularly low consumption in 2015 was due to the economic crises in 2014 and 2015. Implementation of the activities in the HPMP, particularly the enforcement of the licensing and quota system, the ban on imports of used and new HCFC-based equipment enforced since 2011 and 2018, respectively and the training programmes and technical assistance activities, have contributed to the consumption decrease. In addition, non-HCFC-based refrigeration and air-conditioning (RAC) equipment has been introduced in the local market.

CP implementation report

4. The Government of Albania 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.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports, that the consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2017 and 2018 was correct (as shown in Table 1 above), and that Albania is in full compliance with the Montreal Protocol and its Agreement with the Executive Committee for 2017 to 2019. The verification recommends to strengthen the cooperation among service shops for the refrigerant

¹ As per the letter of 6 February 2020 from the Ministry of Tourism and Environment of Albania to UNIDO.

recovery, recycling and reclamation (RRR) scheme and to continue with the training of technicians and enforcement officers. UNIDO confirmed to implement these recommendations in the fifth tranche.

Progress report on the implementation of the fourth tranche of the HPMP

ODS policy and regulatory framework

6. The HCFC import licensing and quota system has been operational since 2013. The Ministry of Tourism and Environment, under which the national ozone unit (NOU) is established, issues HCFC import permits and quotas to importers, and monitors the imports of ozone depleting substances (ODS) in coordination with the General Customs Authority. In addition, Albania has implemented mandatory reporting by importers and exporters, and applied environmental taxes on the import of ODS and ODS-containing equipment. The ban on the import of used HCFC-based equipment went into effect in 2011 and the ban on the import of new HCFC-based equipment went into effect in 2018.

7. In 2019, the revised ODS regulation was approved by Decision of the Council of Ministers No. 10 to be in full alignment with European Union (EU) legislation with respect to regulating the imports, use and trade of ODS, updating ODS reporting requirements, and providing adequate training and certification for end-users. It also added legal measures prohibiting discharge of ODS, and improved labelling requirements for ODS imports. Two further legal acts on quota allocation and on the procedure for suspending/revoking licenses have been approved; and three other legal acts, regarding refrigerant leakage control, ODS use and data reporting, and training and certification of technicians and end-users, are expected to be approved in July 2020.

8. Albania ratified the Kigali Amendment in 2018. The country is currently working towards integrating the HFC controls into the licensing and quota system.

Refrigeration servicing sector

9. The following activities were implemented:

- (a) Two workshops were conducted and 36 technicians were trained in technician certification, introduction of alternatives, energy efficiency in the context of the Montreal Protocol, safety standards and risk management, and requirements and standard methods for leakage control;
- (b) A study was conducted on leakage control where the following measures to minimize leakage and improve containment of refrigerant were identified: frequent checks, immediate repair, recovering refrigerant, introducing safety standards, training and awareness. The recommendations of the study will be disseminated to technicians and servicing workshops during the fifth tranche; and
- (c) The refrigerant recovery, recycling and reuse network is operational; a total of 6.9 mt and 12 mt of HCFC-22 were reused in 2018 and 2019 respectively.

Project implementation and monitoring unit (PMU)

10. The NOU is responsible for project management, monitoring and reporting on progress; short-term national consultants were employed to assist the NOU in monitoring legislation enforcement, assessing the progress in establishing the certification system and assisting in consumption verification. Awareness raising activities were also organized to disseminate information on HCFC alternatives. The cumulative expenditure for this component from the first to fourth tranche amounts to US \$35,000 with the following breakdown: US \$27,462 for staff and consultants; and US \$7,538 for travel cost.

Level of fund disbursement

11. As of February 2020, of the US \$283,500 approved so far, US \$281,434 had been disbursed (i.e., US \$207,000 for UNIDO and US \$76,500 for UNEP), as shown in Table 2. The balance of US \$2,066 will be disbursed in 2020.

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

Tranche		UNIDO	UNEP	Total	Disbursement rate (%)
First	Approved	45,000	25,000	70,000	99
	Disbursed	44,011	24,954	68,965	
Second	Approved	92,000	20,000	112,000	100
	Disbursed	92,000	20,000	112,000	
Third	Approved	40,000	23,000	63,000	98
	Disbursed	39,969	22,000	61,969	
Fourth	Approved	30,000	8,500	38,500	100
	Disbursed	30,000	8,500	38,500	
Total	Approved	207,000	76,500	283,500	99
	Disbursed	205,980	75,454	281,434	

Implementation plan for the fifth and final tranche of the HPMP

12. The following activities will be implemented between June 2020 and December 2021:
- (a) Following up with the approval of the legal acts on leakage control, data reporting on the use of ODS and ODS-based equipment, and training procedures, evaluation and certification of servicing technicians; and updating the legislation on private-sector involvement in certification, and on refrigerant RRR (UNIDO) (US \$5,000);
 - (b) Integrating the requirements of certification into the training materials for servicing technicians; developing a data format for registration of servicing workshops integrating gender aspects,² and disseminating the data format to a small number of workshops on a trial basis (UNIDO) (US \$10,000);
 - (c) Updating training materials and conducting training for 30 servicing technicians in good servicing practice and refrigerant containment, including practices for leakage control, certification requirements, HCFC alternatives, energy efficiency, safety standards and risk management; supporting the customs authorities to integrate ODS-related issues into the curriculum of the regular and mandatory training for customs officers (UNEP) (US \$8,500); and
 - (d) Project management, monitoring and reporting on progress: consultants will be recruited to assist the NOU in following up on legal and technical aspects of the activities; executing planned activities; liaising with stakeholders on actions taken by the NOU; and collecting information for reporting (UNIDO) (US \$8,000 (US \$6,000 for staff and consultant, and US \$2,000 for travel)).

² In line with decision 84/92(d) which requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Progress report on the implementation of the fourth tranche of the HPMP

Legal framework

13. The Government of Albania has already issued HCFC import quotas for 2020 in accordance with the Montreal Protocol control targets.

14. The Secretariat noted no progress made in integration of the customs training into the curriculum of the regular and mandatory training for the customs officers, as had been discussed when the fourth tranche was approved, and inquired whether a budget could be allocated to this activity. UNIDO explained that the NOU was still working with customs on this issue; it has established close cooperation with the customs administration, which has designated a focal point for issues related to ODS control. The customs administration will be engaged in preparing and delivering the customs training and in updating the training materials and curricula; therefore, no budget is required for completing this task.

Refrigeration servicing sector

15. The phase-out of HCFCs in Albania has followed the path adopted in other countries of the region, particularly those of the EU. HFCs are the main alternative technology currently available to replace HCFCs. The Government has approved regulatory measures to control the leakage and emissions of ODS, improved procedures for ODS recovery and destruction of wasted refrigerants, focused on activities related to leakage control and refrigerant RRR to reduce the demand on HCFC. The study conducted on leakage control in servicing workshops, provided a set of measures that have been disseminated to servicing technicians; these measures included *inter alia* frequent leak checks based on refrigerant charge, immediate repair of leaks, recovery of ODS refrigerants while servicing the equipment, maintaining records of equipment checks and repairs.

16. With regard to the progress on establishing the technician certification scheme, UNIDO clarified that the requirements for technicians training and certification have been developed, and the legal act supporting technician certification has been drafted and is in the process of final approval. It is expected that the scheme will be in place by the end of 2020.

Sustainability of the HCFC phase-out

17. Training and basic equipment and tools have been provided to technicians to facilitate good servicing practices and refrigerant recovery and reuse in order to reduce the demand for HCFCs. The refrigerant recovery and reuse network is operational and the refrigerant reused has complemented the HCFC imports. Certification of technicians is being developed to ensure the long-term sustainability of the efforts made to build the capacity of servicing technicians. In addition, the training of customs officers on ODS-related issues is being integrated into regular customs training. All these aforementioned efforts would ensure the sustainability of HCFC phase-out in the country.

Conclusion

18. The Government is enforcing an operational licensing and quota system for imports and exports of HCFCs which will enable HCFC consumption reductions in line with the Montreal Protocol's phase-out schedule; the consumption in 2019 is already 37 per cent below the control targets of the Montreal Protocol and in the Agreement with the Executive Committee. The activities of the HPMP are progressing. The registration of servicing workshops proposed under the fifth tranche would integrate gender aspects. All

funds approved for the fourth tranche have been disbursed; and the overall fund disbursement for stage I has reached 99 per cent. The progress achieved so far and the activities planned under the fifth tranche will ensure the long-term sustainability of stage I of the HPMP. The country will complete stage I of the HPMP in accordance with its Agreement with the Executive Committee and stage II is being submitted to the present meeting.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the fourth tranche of stage I of the HCFC phase-out management plan (HPMP) for Albania; and further recommends blanket approval of the fifth and final tranche of stage I of the HPMP for Albania, and the corresponding 2020-2021 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, fifth tranche)	23,000	2,070	UNIDO
(b)	HCFC phase-out management plan (stage I, fifth tranche)	8,500	1,105	UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Albania

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (stage II)	UNEP, UNIDO (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2018	3.88 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2019	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					3.41				3.41

(IV) CONSUMPTION DATA (ODP tonnes)				
2009–2010 baseline:		6.0	Starting point for sustained aggregate reductions:	6.0
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)				
Already approved:		2.1	Remaining:	3.9

(V) BUSINESS PLAN		2020	2021	2022	After 2022	Total
UNIDO	ODS phase-out (ODP tonnes)	0.80	0	1.00	0.21	2.01
	Funding (US \$)	66,045	0	68,000	31,000	165,045
UNEP	ODS phase-out (ODP tonnes)	0.21	0	0	0.84	1.05
	Funding (US \$)	31,952	0	0	127,402	159,354

(VI) PROJECT DATA			2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			3.90	3.90	3.90	3.90	3.90	1.95	n/a
Maximum allowable consumption (ODP tonnes)			3.90	3.90	3.90	3.90	3.90	1.95	n/a
Projects costs requested in principle (US \$)	UNIDO	Project costs	88,000	0	81,250	0	0	35,250	204,500
		Support costs	7,920	0	7,313	0	0	3,173	18,406
	UNEP	Project costs	39,500	0	39,500	0	0	9,000	88,000
		Support costs	5,135	0	5,135	0	0	1,170	11,440
Total project costs requested in principle (US \$)			127,500	0	120,750	0	0	44,250	292,500
Total support costs requested in principle (US \$)			13,055	0	12,448	0	0	4,343	29,846
Total funds requested in principle			140,555	0	133,198	0	0	48,593	322,346

(VII) Request for funding for the first tranche (2020)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNIDO	88,000	7,920
UNEP	39,500	5,135
Funding request:	Approval of funding for the first tranche (2020) as indicated above	

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

20. On behalf of the Government of Albania, UNIDO, as the lead implementing agency, has submitted a request for funding for stage II of the HCFC phase-out management plan (HPMP) at a total cost of US \$322,346, consisting of US \$204,500 plus agency support costs of US \$18,406 for UNIDO, and US \$88,000 plus agency support costs of US \$11,440 for UNEP, as originally submitted.³ The implementation of stage II of the HPMP will phase out 1.95 ODP tonnes of HCFC-22 and assist Albania in meeting the target of 67.5 per cent reduction by 2025.

21. The first tranche of stage II of the HPMP being requested at the 85th meeting amounts to US \$160,175, consisting of US \$106,000, plus agency support costs of US \$9,540 for UNIDO, and US \$39,500, plus agency support costs of US \$5,135 for UNEP, as originally submitted.

Status of implementation of stage I of the HPMP

22. Stage I of the HPMP was approved at the 64th meeting⁴ to meet the 35 per cent reduction from the baseline by 2020 at a total funding level of US \$315,000 plus agency support costs of US \$31,750, to phase out 2.1 ODP tonnes of HCFCs in the servicing sector only. Four out of five tranches planned in stage I have been approved; the fifth tranche has been submitted to the 85th meeting. An overview of the progress in the implementation of stage I, including an analysis of the HCFC consumption, the progress and financial reports on the implementation, and the request for the fifth and final tranche submitted to the present meeting, is included in paragraphs 1-19 of the present document.

Stage II of the HPMP

Remaining eligible consumption in Albania

23. After deducting 2.1 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 3.9 ODP tonnes of HCFC-22, as shown in Table 3.

Table 3. Remaining consumption eligible for funding for stage II of the HPMP in Albania (ODP tonnes)

HCFC	Starting point	Stage I		Stage II	
		Approved	Remaining	Requested	Remaining
HCFC-22	5.70	1.80	3.90	1.95	1.95
HCFC-124	0.01	0.01	0.00	0.00	0.00
HCFC-142b	0.29	0.29	0.00	0.00	0.00
Total HCFCs	6.00	2.10	3.90	1.95	1.95

HCFC consumption and sector distribution

24. An analysis of the reported HCFC consumption in 2015-2019 can be found in paragraphs 2 and 3 of the present document.

25. According to the survey conducted during the preparation of stage II, imports of alternative refrigerants, mainly HFCs, for servicing RAC equipment has grown significantly. In 2019, imports of HCFC-22 accounted for 14 per cent of total refrigerant imports; HFCs for 82 per cent; and HFOs and flammable refrigerants for 4 per cent.

³ As per the letter of 6 February 2020 from the Ministry of Tourism and Environment of Albania to UNIDO.

⁴ UNEP/OzL.Pro/ExCom/64/23.

26. HCFC-22 is currently used entirely in servicing RAC equipment in three applications (97.7 per cent): residential air-conditioners, industrial refrigeration and chillers, with a small amount (2.3 per cent) used in commercial refrigeration and transport refrigeration.

27. The servicing sector is currently composed of approximately 145 servicing workshops; each workshop has four to five technicians (140 are formally registered) who service and install RAC equipment and systems, and there are nine vocational training institutes. The Government is in the process of establishing a mandatory certification scheme for servicing technicians in line with the EU F-gas regulation.

Stage II phase-out strategy

28. The implementation of stage II will focus on activities in the servicing sector. Further building on the achievements of stage I, stage II will be implemented along the following strategic lines: strengthen the enforcement of ODS regulations and enhancing the capacity of the servicing technicians; implementing a market-driven RRR scheme to reduce the demand for HCFCs; engaging stakeholders and integrating the HPMP into their business plans; and mainstreaming gender considerations into all aspects of stage II.

Proposed activities in stage II

29. The following activities have been planned:

- (a) Continuing the enforcement of policies and regulations, including the licensing and quota system, focusing on the labelling of cylinders and the ban on imports of HCFC-based equipment; implementing mandatory certification of technicians; expanding/adjusting the regulatory framework to include HFCs and to introduce health and safety codes for the adoption of toxic and flammable alternative refrigerants to HCFCs (UNIDO) (US \$51,500);
- (b) Updating training materials and conducting five training workshops for 100 customs officers and environmental inspectors in the prevention of illegal trade and mislabelling refrigerant cylinders, and monitoring and reporting of ODS data (UNEP) (US \$18,000);
- (c) Updating the training curriculum for nine vocational training institutes; upgrading the skills of national trainers through special training courses; conducting 10 workshops to train 200 technicians in good servicing practices, including installing and servicing equipment, leakage control, refrigerant RRR, proper handling of flammable and toxic refrigerants (UNEP) (US \$70,000);
- (d) Designing and implementing a refrigerant RRR programme involving the private sector, based on a survey of the technical capacity and awareness of servicing workshops; conducting awareness-raising activities, and seven training workshops to train 140 technicians in RRR using equipment provided in stage I; and organizing special training sessions to promote female participation in RRR activities (UNIDO) (US \$57,000);
- (e) Conducting a feasibility study to assess non-conventional cooling options for the building sector; an analysis of the potential to utilize renewable energy, legal barriers, environmental benefits, energy saving; and the financial planning for implementing feasible options (UNIDO) (US \$46,000); and
- (f) Project management, coordination, monitoring and reporting: the NOU will be responsible for overall project implementation in coordination with other stakeholders. Short-term legal experts and technical experts will be employed, to assist the NOU in implementing

activities, coordinating stakeholders, delivery of training, coordinating consumption verification and monitoring progress, collecting data and preparing progress reports (UNIDO) (US \$50,000 (US \$40,000 for staff and consultants, and US \$4,000 for travel)).

Total cost of stage II of the HPMP

30. The total cost of stage II of the HPMP for Albania has been estimated at US \$292,500, plus agency support costs, to phase-out of 1.95 ODP tonnes of HCFC-22. The total cost of stage II is summarized in Table 4:

Table 4. Total cost of stage II of the HPMP for Albania (US \$)

Activity	Agency	2020	2022	2025	Total cost
Legislation and policies	UNIDO	30,000	18,250	3,250	51,500
Refrigerant RRR	UNIDO	20,000	30,000	7,000	57,000
Capacity building activities for customs officers and environmental inspectors	UNEP	7,500	7,500	3,000	18,000
Training of technicians on good servicing practice, servicing with low-GWP flammable refrigerants	UNEP	32,000	32,000	6,000	70,000
Feasibility study to assess non conventional cooling options for the building sector	UNIDO	23,000	13,000	10,000	46,000
Project management, coordination, monitoring and reporting	UNIDO	20,000	20,000	10,000	50,000
Sub-total	UNIDO	106,000	78,250	20,250	204,500
Sub-total	UNEP	39,500	39,500	9,000	88,000
Total		145,500	117,750	29,250	292,500

Activities planned for the first tranche of stage II of the HPMP

31. The first funding tranche of stage II, at the total amount of US \$145,500, will be implemented from June 2020 to June 2023 and will include the following activities:

- (a) Updating the national ODS regulation to address the use of ODS alternatives, taking into consideration energy efficiency, standards and gender aspects; and implementing the certification scheme for servicing technicians (UNIDO) (US \$30,000);
- (b) Updating training materials and training 40 customs officers and environmental inspectors in the prevention of illegal trade, mislabelling refrigerant cylinders and monitoring and reporting of ODS data (UNEP) (US \$7,500);
- (c) Conducting a survey on the technical capacity of servicing workshops; training 60 technicians on refrigerant recovery, recycling and reuse operations using equipment purchased in stage I; organizing special training sessions on RRR inviting female technicians (UNIDO) (US \$20,000);
- (d) Updating training materials and conducting four training workshops for 80 technicians in good servicing practices, leakage detection and control, R&R, and proper handling of flammable and toxic refrigerants (UNEP) (US \$32,000);
- (e) Selecting a site for a feasibility study to assess non-conventional cooling options for the building sector, holding stakeholder consultations, developing terms of reference and employing a consultant to initiate the feasibility study (UNIDO) (US \$36,000); and

- (f) Project management, coordination, monitoring and reporting, collecting data and preparing the progress report (UNIDO) (US \$20,000 (US \$16,000 for staff and consultants, and US \$4,000 for travel)).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

32. The Secretariat reviewed stage II of the HPMP for Albania in light of stage I, the policies and the 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 2020-2022 business plan of the Multilateral Fund.

Overarching strategy for stage II

33. The Secretariat noted that the consumption of HCFC-22 in 2019 of 3.41 ODP tonnes was 43 per cent below the baseline, and inquired whether the Government could consider imposing a lower import quota than the consumption allowed under the Montreal Protocol during stage II. UNIDO replied that in Albania the choice of ODS alternatives is mainly influenced by external market forces; the Government plans not to accelerate the HCFC phase-out more than necessary to allow sufficient time for HFC-free technologies to become mature and more attractive in terms of market adoption.

34. Noting that the import of HFC refrigerants increased significantly in stage I, currently representing 82 per cent of the total import of refrigerants, the Secretariat inquired about how the Government would limit the growth of HFCs in stage II. UNIDO advised that since 2014, Albania has been striving to meet the legal requirements for accession to the EU, including the F-gas regulation. A number of measures are being put in place to limit HFC growth to the extent possible, including: not accelerating HCFC phase-out more than necessary; drafting new legislation on F-gases; and raising the awareness of stakeholders on the Kigali Amendment, HFC alternatives and their profitability in the medium-to-long term. Albania has acceded to the Kigali Amendment and intends to submit an HFC phase-down management plan to formally address HFCs.

Technical issues

35. The Secretariat discussed the feasibility study to assess non-conventional cooling options for the building sector. It appears that the study intends to explore heat absorption and solar-assisted chilled-water absorption systems to determine which option would be more promising for use in central air-conditioning systems. The Secretariat noted that three feasibility studies have been conducted by the Fund, the added value of the proposed study is not clear. Moreover, the Government has established a ban on importing and installing HCFC-based equipment to address the growing inventory of HCFC-using equipment. Although the study would provide more information on technology options for meeting future cooling demand, it does not directly impact on HCFC phase-out. After further discussion, UNIDO agreed to use the US \$46,000 planned for the feasibility study to provide training and tools to address the HCFC consumption in large industrial and commercial end-users.

Total project cost

36. After replacing the feasibility study to assess non-conventional cooling options for the building sector with providing training and tools for large industrial and commercial end-users, the final agreed activities and cost breakdown for stage II are summarized in Table 5.

Table 5. Revised cost and activities of stage II of the HPMP for Albania (US \$)

Activity	Agency	2020	2022	2025	Total cost
Legislation and policies	UNIDO	25,000	18,250	8,250	51,500
Refrigerant RRR	UNIDO	20,000	30,000	7,000	57,000
Capacity building activities for customs officers and environmental inspectors	UNEP	7,500	7,500	3,000	18,000
Training of technicians on good servicing practice, servicing with low-GWP flammable refrigerants	UNEP	32,000	32,000	6,000	70,000
Developing training material and training for maintenance service technicians for large end-users such as commercial and industrial refrigeration and chillers	UNIDO	23,000	13,000	10,000	46,000
Project management, coordination, monitoring and reporting	UNIDO	20,000	20,000	10,000	50,000
Sub-total	UNIDO	88,000	81,250	35,250	204,500
Sub-total	UNEP	39,500	39,500	9,000	88,000
Total		127,500	120,750	44,250	292,500

Impact on the climate

37. The proposed activities in the servicing sector, which include better containment of refrigerants through training and the provision of equipment, will further reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogram 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 Albania, in particular refrigerant RRR, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

38. UNIDO informed the Secretariat that Albania has not identified any resources for co-financing. However, the NOU, with the assistance of implementing agencies, will continue to explore opportunities for potential mobilization of additional funds to ensure the successful implementation of the HCFC phase-out.

2020-2022 draft business plan of the Multilateral Fund

39. UNIDO and UNEP are requesting US \$292,500, plus agency support costs, for the implementation of stage II of the HPMP for Albania. The total value requested of US \$160,175 including support costs for the period 2020–2022, is US \$5,822 below the amount in the business plan.

Draft Agreement

40. A draft Agreement between the Government of Albania 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

41. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Albania for the period from 2020 to 2025 to reduce HCFC consumption by 67.5 per cent of the country's baseline, in the amount of US \$322,346, consisting of US \$204,500, plus

agency support costs of US \$18,406 for UNIDO, and US \$88,000 plus agency support costs of US \$11,440 for UNEP;

- (b) Deducting 1.95 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (c) Approving the draft Agreement between the Government of Albania 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
- (d) Approving the first tranche of stage II of the HPMP for Albania, and the corresponding tranche implementation plan, in the amount of US \$140,555, consisting of US \$88,000, plus agency support costs of US \$7,920 for UNIDO, and US \$39,500, plus agency support costs of US \$5,135 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF ALBANIA 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 the Republic of Albania (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 1.95 ODP tonnes by 1 January 2025 in compliance with the 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 rows 4.1.3, 4.2.3 and 4.3.3 (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
 - (v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;
- (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 of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (the “Lead IA”). UNEP has agreed to be the cooperating implementing agency (“the Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA and 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	5.70
HCFC-124	C	I	0.01
HCFC-142b	C	I	0.29
Total			6.00

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	3.90	3.90	3.90	3.90	3.90	1.95	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	3.90	3.90	3.90	3.90	3.90	1.95	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	88,000	0	81,250	0	0	35,250	204,500
2.2	Support costs for Lead IA (US \$)	7,920	0	7,313	0	0	3,173	18,406
2.3	Cooperating IA (UNEP) agreed funding (US \$)	39,500	0	39,500	0	0	9,000	88,000
2.4	Support costs for Cooperating IA (US \$)	5,135	0	5,135	0	0	1,170	11,440
3.1	Total agreed funding (US \$)	127,500	0	120,750	0	0	44,250	292,500
3.2	Total support costs (US \$)	13,055	0	12,448	0	0	4,343	29,846
3.3	Total agreed costs (US \$)	140,555	0	133,198	0	0	48,593	322,346
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)							1.95
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)							1.80
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							1.95
4.2.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)							0.00
4.2.2	Phase-out of HCFC-124 to be achieved in the previous stage (ODP tonnes)							0.01
4.2.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)							0.00
4.3.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)							0.00
4.3.2	Phase-out of HCFC-142b to be achieved in the previous stage (ODP tonnes)							0.29
4.3.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)							0.00

*Date of completion of stage I as per stage I Agreement: 31 December 2021.

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 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 national ozone unit (NOU) is responsible for monitoring the progress of implementation of activities in stage II of the HPMP. A part-time technical and legal expert will be employed to assist the NOU in monitoring the progress, liaising with stakeholders and executing project activities.
2. The monitoring and co-ordination will be conducted during the implementation of stage II of the HPMP to ensure efficient and effective implementation; overall project co-ordination; stakeholder engagement and co-ordination; smooth implementation of activities planned under various tranches; delivery of trainings and other expected outcomes; and co-ordination of HCFC consumption verification.
3. Annual progress reports on implementation status of the HPMP will be submitted to the implementing agencies. Tranche progress reports will be submitted to the Executive Committee through the Lead IA.
4. Monitoring activities of the HPMP and verification of the achievement of the performance targets, as specified in the HPMP, will be assigned to an independent consultant(s) by the Lead IA.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
 - (b) Assisting the Country in preparation of the 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 the 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.
