



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/88/40  
20 October 2021

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-eighth Meeting  
Montreal, 15-19 November 2021<sup>1</sup>

**PROJECT PROPOSAL: CABO VERDE**

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

Phase-out

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

<sup>1</sup> Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19)

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**CABO VERDE**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase-out plan (stage II)	UNEP

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2020	0.04 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2020</b>	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.04					0.04

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	1.1	Starting point for sustained aggregate reductions:	0.25
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.09	Remaining:	0.16

<b>(V) BUSINESS PLAN</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
UNEP	ODS phase-out (ODP tonnes)	0.279			0.279
	Funding (US \$)	117,379			117,379

<b>(VI) PROJECT DATA</b>			<b>2021</b>	<b>2022 -2023</b>	<b>2024</b>	<b>2025 -2026</b>	<b>2027</b>	<b>2028 - 2029</b>	<b>2030</b>	<b>Total</b>
Montreal Protocol consumption limits			0.72	0.72	0.72	0.36	0.36	0.36	0.00	n/a
Maximum allowable consumption (ODP tonnes)			0.04	0.04	0.04	0.02	0.02	0.02	0.00	n/a
Project costs requested in principle (US \$)	UNEP	Project costs	173,000	0	131,000	0	79,000	0	44,500	427,500
		Project support costs	22,490	0	17,030	0	10,270	0	5,785	55,575
Total project costs requested in principle (US \$)			173,000	0	131,000	0	79,000	0	44,500	427,500
Total support costs requested in principle (US \$)			22,490	0	17,030	0	10,270	0	5,785	55,575
Total funds requested in principle (US \$)			195,490	0	148,030	0	89,270	0	50,285	483,075

<b>(VII) Request for approval of funding for the first tranche (2021)</b>		
<b>Agency</b>	<b>Funds requested (US \$)</b>	<b>Support costs (US \$)</b>
UNEP	173,000	19,760
Total	173,000	19,760

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

### Background

1. On behalf of the Government of Cabo Verde, UNEP as the designated implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at the amount of US \$590,000, plus agency support costs of US \$76,700, as originally submitted.<sup>2</sup> The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.
2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US \$200,000, plus agency support costs of US \$26,000 for UNEP, as originally submitted.

### Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for Cabo Verde was originally approved at the 64<sup>th</sup> meeting<sup>3</sup> to achieve 35 per cent reduction from the baseline by 2020, at a total cost of US \$160,000, plus agency support costs, to phase out 0.09 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. The fifth and final tranche of stage I was approved under the intersessional approval process for the 86<sup>th</sup> meeting in December 2020; stage I will be completed by December 2021.

### HCFC consumption

4. The Government of Cabo Verde reported a consumption of 0.04 ODP tonnes of HCFC in 2020, which is 96 per cent below the HCFC baseline for compliance and 84 per cent below the starting point for aggregate reductions in HCFC consumption.<sup>4</sup> The 2016-2020 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in Cabo Verde (2016-2020 Article 7 data)**

HCFC-22	2016	2017	2018	2019	2020	Starting point	Baseline
Metric tonnes (mt)	2.30	1.57	1.00	1.00	0.80	4.54	20.1
ODP tonnes	0.13	0.08	0.06	0.06	0.04	0.25	1.1

5. HCFC consumption in Cabo Verde has been decreasing due to the implementation of the licensing and quota system, the activities in the RAC servicing sector, awareness-raising activities, and the introduction of HCFC-free alternatives in air-conditioning and commercial refrigeration applications, mainly based on blends of HFC refrigerants. The last piece of HCFC-22-based equipment was installed in 2015, impacting the consumption levels from 2016 onward. Furthermore, HCFC consumption in 2020 was considerably affected by the supply disruption caused by the COVID-19 pandemic and a significant slowdown of economic activities in the country.

### *CP implementation report*

6. The Government of Cabo Verde reported HCFC sector consumption data under the 2020 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

### Status of progress and disbursement

<sup>2</sup> Letter of 30 June 2021 from the Ministry of Agriculture and Environment of Cabo Verde to UNEP.

<sup>3</sup> UNEP/OzL.Pro/ExCom/64/27, Annex IX of UNEP/OzL.Pro/ExCom/64/53

<sup>4</sup> The issue of the difference between the HCFC baseline and the starting point was presented in paragraphs 11 and 12 of document UNEP/OzL.Pro/ExCom/64/27

*Legal framework*

7. The control of HCFCs and HCFC-based equipment in Cabo Verde was established in July 2011; since then, the Government has been enforcing a licensing and quota system to control the consumption of HCFCs, and HCFC-based equipment are subject to authorization before import. Through the current HCFC-based equipment import license system, no HCFC-based equipment has been imported since 2015. Cabo Verde ratified the Kigali Amendment on 28 October 2020.

*Refrigeration servicing sector*

8. The National Ozone Unit (NOU) implements the quota system in coordination with the customs officers stationed at the country's three different islands. Training was provided to 397 customs and other enforcement officers in identifying, controlling and monitoring HCFCs and HCFC-based equipment; identifying smuggling schemes of refrigerants; identifying ODS consignments, labelling and packaging; using customs checklists; sampling and handling ODS; and using a refrigerant identifier. One refrigerant identifier was provided and ODS identification tests were performed during training courses.

9. Training in good servicing practices, including the safe handling of hydrocarbon (HC) refrigerants, was provided to 469 RAC servicing technicians, using refrigeration trainers and industry experts as resource persons. Two vacuum pumps and manometers were acquired and distributed to strengthen the capacity of two centres of excellence. A protocol was also signed with a vocational training centre (located in São Domingos) to include the recovery and recycling of ODS, and the handling of HC refrigerants in its curricula as of December 2019, with approximately 60 students graduated since then.

Level of fund disbursement

10. As of 30 June 2021, of the US \$160,000 approved for stage I of the HPMP, US \$150,000 had been disbursed. The balance of US \$10,000 will be disbursed by 31 December 2021.

**Stage II of the HPMP**Remaining consumption eligible for funding

11. After deducting 0.09 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding for complete phase-out in stage II amounts to 0.16 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

12. There are approximately 500 technicians and 40 workshops in the servicing sector, consuming HCFC-22 to service a range of equipment (i.e., freezers, unitary and split systems, commercial cold stores, chillers, and air-conditioning and heat pumps), as shown in Table 2. HCFC-22 represents (9 per cent) of the refrigerants used, followed by R-404A (46 per cent), R-410A (33 per cent) and HFC-134a (12 per cent).

**Table 2. Sectoral distribution of HCFC-22 in Cabo Verde in 2020**

Sector/Applications	Equipment (units)	Average charge (kg)	Total charge (mt)	Leakage rate (%)	Consumption (mt)
Room AC (unitary and split)	3,000	1.50	4.50	5	0.225
Commercial AC (roof top, multi-split, chillers)	500	6.50	3.25	10	0.325
Commercial refrigeration (medium condensing units)	400	2.50	1.00	10	0.100
<b>Total</b>	3,900				0.650

Phase-out strategy in stage II of the HPMP

13. Stage II of the HPMP has been designed based on the experience gained during the implementation of the previous stage and will focus on strengthening the HCFC licensing and quota system; monitoring the use of refrigerants by end-users; developing and implementing legal instruments related to the banning of flushing with HCFCs and of imports of HCFC-based equipment; further strengthening the capacity of customs and other enforcement officers; strengthening training and establishing a certification scheme for refrigeration servicing technicians; providing tools to servicing workshops; and raising public awareness to enhance uptake of low-GWP alternative technologies.

Proposed activities in stage II of the HPMP

14. Stage II proposes the following activities:

- (a) *Strengthening legislation to control HCFC imports*: Banning the import of HCFCs as of 1 January 2030 except for a servicing tail; establishing mandatory reporting by importers on the annual amount of HCFC before obtaining their quota for the following year as of 1 January 2023; banning HCFC-based equipment imports as of 1 January 2025, and banning of flushing with HCFCs as of 1 January 2023 (US \$10,000);
- (b) *Capacity-building for the implementation of import controls and monitoring by customs and other enforcement officers*: Facilitating three inter-island dialogues to exchange information and develop common procedures for the identification/prevention of potential illegal trade; conducting 27 training sessions for 540 customs officers and other law enforcement agents on *inter alia* updated regulations, revised customs codes, inspection of shipments and the use of refrigerant identifiers; updating ODS control procedures (e.g., revising Harmonized System (HS) customs codes and adjusting the customs import software, issuing circulars, technical notes and other administrative measures, and inspection visits when needed); printing the relevant OzonAction publications and information tools to support the screening of ODSs and distributing them among the officers trained; and procurement of five refrigerant identifiers and spare parts (US \$190,000);
- (c) *Capacity-building of RAC servicing technicians, and establishment and operation of a mandatory certification scheme for RAC servicing*: Establishing a mandatory certification scheme for RAC technicians as of 1 January 2025; hiring an expert to facilitate the establishment of a RAC service certification scheme, developing two certifying centres, building the capacity abroad of at least two teachers to become certifiers, and testing the operation of the system by certifying 25 technicians; developing a code of conduct and guidance on how to be certified; conducting 25 sessions to train and certify 500 RAC technicians in good servicing practices and managing flammable refrigerants; signing an agreement with two additional vocational training centres to include recovery and recycling of HCFCs and handling of HCs into their curricula; strengthening of the RAC association and public awareness raising through advertisement on local media and workshops for end-users informing them on zero/low-GWP technology and discouraging the use of HFC-based technology (US \$290,000); and
- (d) *Provision of appropriate toolkits and equipment to the servicing sector*: Procurement of 20 sets of tools (e.g., bypass with interchangeable attachment for different refrigerants, set of 3 pipes, valve remover tool, inspection mirror, multiple flaring device, flaring tool, pipe cutter, electronic thermometer, ratchet wrench, and bending springs, and electronic scales) to be distributed in technical colleges (US \$50,000).

*Project implementation and monitoring*

15. The system established under stage I of the HPMP will continue into stage II, where the NOU will monitor activities, report on progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US \$50,000 for stage II.

*Gender policy implementation<sup>5</sup>*

16. In line with decision 84/92(d), the Government of Cabo Verde will encourage the engagement of women in the activities under stage II (i.e., decision making, human resource recruitment, capacity building, and information and awareness on gender sensitivity). Furthermore, the NOU will support the collection of gender-disaggregated data and look for synergies with government agencies, the private sector, non-governmental organizations, community-based organizations, and women's associations for gender mainstreaming and women's empowerment.

Total cost of stage II of the HPMP

17. The total cost of stage II of the HPMP for Cabo Verde has been estimated at US \$590,000 (plus agency support costs), as originally submitted, for achieving a 67.5 per cent reduction from its HCFC baseline consumption by 2025 and 100 per cent reduction by 2030.

Activities planned for the first tranche of stage II

18. The first funding tranche of stage II of the HPMP at the total amount of US \$200,000 will be implemented between January 2022 and December 2024 and will include the following activities:

- (a) *Strengthening legislation to control HCFC imports*: Banning the import of HCFC-22 as of 1 January 2030 except for a servicing tail; establishing mandatory reporting by HCFC importers and exporters as of 1 January 2023; banning HCFC-based equipment imports as of 1 January 2025, and banning of flushing with HCFCs as of 1 January 2023 (US \$10,000);
- (b) *Capacity-building for the implementation of import controls and monitoring by customs and other enforcement officers*: Facilitating one inter-island dialogue to exchange information and develop common procedures for identification/prevention of potential illegal trade; conducting eight training sessions for 160 customs officers and other law enforcement agents on updated regulations, revised customs codes, inspection of shipments and the use of refrigerant identifiers, among other subjects; updating ODS control procedures (revising HS customs codes and adjusting the customs import software, issuing circulars, technical notes and other administrative measures, inspection visits when needed); printing the relevant OzonAction publications and information tools to support the screening of ODSs and distributing them among the officers trained; and procurement of five refrigerant identifiers and spare parts (US \$70,000);
- (c) *Capacity-building of RAC servicing technicians, establishment and operation of a mandatory certification scheme for RAC servicing*: Establishing a mandatory certification scheme for RAC technicians as of 1 January 2025, hiring an expert to facilitate the establishment of an operational RAC service certification scheme, developing two certifying centres, building the capacity abroad of at least two teachers to become certifiers, and testing the operation of the system by certifying 25 technicians; developing a code of

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<sup>5</sup> Decision 84/92(d) requests bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

conduct and guidance on how to be certified; conducting eight sessions to train 160 RAC technicians in good servicing practices and managing flammable refrigerants; signing an agreement with two additional vocational training centres to include recovery and recycling of HCFCs and handling of HCs into their curricula; strengthening of the RAC association; and public awareness raising through advertisement on local media and workshops for end-users informing them on zero/low-GWP technology and discouraging the use of HFC-based technology (US \$90,000);

- (d) *Provision of appropriate toolkits and equipment to the servicing sector:* Procurement and distribution of 12 sets of tools ((e.g., bypass with interchangeable attachment for different refrigerants, set of 3 pipes, valve remover tool, inspection mirror, multiple flaring device, flaring tool, pipe cutter, electronic thermometer, ratchet wrench, and bending springs, and electronic scales) to technical colleges (US \$20,000); and
- (e) *Project monitoring and support* (US \$6,000 for a consultant, US \$2,500 for monitoring-related travel and US \$1,500 for coordination meetings) (US \$10,000).

## **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

### **COMMENTS**

19. The Secretariat reviewed stage II of the HPMP in light of stage I, 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 2021-2023 business plan of the Multilateral Fund.

#### HCFC consumption

20. Given the sustained reduction in the level of HCFC consumption from 2016 and the 2022 HCFC quota issued at 0.04 ODP tonnes (96 per cent reduction from the baseline), the Secretariat asked UNEP whether the country was willing to adopt an accelerated phase-out schedule for HCFCs. Further to a discussion with the Government, UNEP indicated that the country agreed to revise the phase-out schedule as follows: 96 per cent from 2022 to 2024, 98 per cent from 2025 to 2029, and 100 per cent by 2030.

#### Overarching strategy

21. In addition to meeting the above-mentioned accelerated reduction steps, the Government of Cabo Verde proposes to maintain a maximum annual consumption of HCFC in the period from 2030 to 2040 consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.<sup>6</sup> The Government further commits to continue establishing strict criteria within its licensing system to monitor the levels of import and the uses of HCFCs during that period to ensure that they are limited to the conditions set by the Montreal Protocol.

22. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Cabo Verde agreed to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the 2030-2040 period, and the expected annual HCFC consumption in the country for the 2030-2040 period.

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<sup>6</sup> HCFC consumption may exceed zero in any year so long as the sum of its calculated levels of consumption over the ten-year period from 1 January 2030 to 1 January 2040, divided by 10, does not exceed 2.5 per cent of the HCFC baseline.

Technical and cost-related issues

23. Noting that HCFC alternatives, mainly based on HFC refrigerants, has gradually increased over the years (although the prices of alternative refrigerants are still higher than HCFC-22), the Secretariat inquired on how the country would promote low-GWP alternatives to HCFCs. UNEP explained that HC-based equipment was entering the country slowly; and therefore, the Government was proposing additional training and awareness for RAC technicians to prepare the sector for the adoption of flammable technologies, and the study on end-users was aimed at encouraging the introduction of low-GWP technologies.

Total project cost

24. The Secretariat noted that the total funding requested for stage II of the HPMP is higher than the remaining eligible funding level for a low-volume-consuming country. After clarifications provided by the Secretariat on decision 74/50,<sup>7</sup> the country re-prioritized its activities, and the total cost of stage II has been revised to US \$427,500. The breakdown of costs and differences between the original and the revised proposals are summarized in Table 3.

**Table 3. Total cost of stage II of the HPMP for Cabo Verde (US \$)**

<b>Activity</b>	<b>Cost as submitted</b>	<b>Revised costs</b>
Strengthening legislation, enforcement of control and monitoring measures and capacity-building of customs and other enforcement officers	200,000	157,500
Capacity-building of RAC technicians, establishment and operation of a mandatory certification scheme for RAC servicing	290,000	170,000
Provision of appropriate toolkits and equipment to the servicing sector	50,000	50,000
Monitoring and reporting	50,000	50,000
<b>Total</b>	<b>590,000</b>	<b>427,500</b>

25. The activities for strengthening the legislation, establishing a certification scheme for refrigeration servicing technicians, providing toolkits and equipment to servicing workshops, raising public awareness to enhance uptake of low-GWP alternative technologies, and monitoring and reporting remain as initially submitted. Changes for stage II targets are as follows: 500 customs officers and other law enforcement agents would be trained instead of 540 as initially planned; 500 RAC servicing technicians would be trained in 20 courses instead of 25; and an assessment of the HCFC-based equipment installed (including its location, capacity, amount of refrigerants the date of installation) for its potential replacement by RAC equipment based on low-GWP refrigerants, instead of strengthening the association of RAC technicians. Furthermore, changes in the expected outputs for the first tranche are as follows: 120 customs officers and other law enforcement agencies would be trained instead of 160 as submitted; 100 RAC servicing technicians would be trained instead of 160; an assessment on the HCFC-based equipment installed instead of strengthening the association of RAC technicians.

26. In view of the fact that the eligible funding was lower than the initial funding request, the Secretariat discussed with UNEP the proposed tranche distribution for stage II. The revised tranche distribution, as agreed, is shown in Table 4.

<sup>7</sup> The Secretariat clarified that decision 74/50 is based on starting points for aggregate reductions instead of baselines for compliance, i.e., 0.25 ODP tonnes instead of 1.1 ODP tonnes in the case of Cabo Verde. Consequently, the corresponding funding for Cabo Verde's total phase-out of HCFCs is more limited than initially requested.



**Table 4. Original and revised tranche distribution for stage II of the HPMP for Cabo Verde (US \$)**

<b>Funding</b>	<b>2021</b>	<b>2024</b>	<b>2027</b>	<b>2030</b>	<b>Total</b>
As submitted	200,000	155,000	130,000	105,000	590,000
Revised	173,000	131,000	79,000	44,500	427,500

Impact on the climate

27. The proposed activities in the servicing sector, which include better containment of refrigerants through training and the provision of tools, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO<sub>2</sub>-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Cabo Verde, including its efforts to promote low-GWP alternatives, as well as good servicing practices indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

**Co-financing**

28. The Government of Cabo Verde will provide in-kind support such as the provision of staff, office spaces, and logistical support as required during the implementation of the project.

**Business plan of the Multilateral Fund 2021-2023**

29. UNEP is requesting US \$427,500, plus agency support costs, for the implementation of stage II of the HPMP for Cabo Verde. The total requested value of US \$195,490, including agency support costs for the period of 2021–2023, is US \$78,111 above the amount in the business plan.

**Draft Agreement**

30. A draft Agreement between the Government of Cabo Verde 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**

31. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Cabo Verde for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$427,500, plus agency support costs of US \$55,575 for UNEP, on the understanding that no more funding from the Multilateral Fund would be provided for the phase-out of HCFCs;
- (b) Noting the commitment of the Government of Cabo Verde:
  - (i) To reduce HCFC consumption by 96 per cent of the country's baseline by 2022, 98 per cent by 2025 and to phase out HCFCs completely by 1 January 2030, and to ban HCFC imports after that date, except for those allowed for a servicing tail between 2030 and 2040 where required, consistent with the provisions of the Montreal Protocol;
  - (ii) To ban the import of HCFC-based equipment by 1 January 2025 and to ban flushing with HCFCs by 1 January 2023;

- (c) Deducting 0.16 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Cabo Verde 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;
- (e) That, to allow for consideration of the final tranche of its HPMP, the Government of Cabo Verde should submit:
  - (i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040; and
  - (ii) The expected annual HCFC consumption in Cabo Verde for the period 2030-2040; and
- (f) Approving the first tranche of stage II of the HPMP for Cabo Verde, and the corresponding tranche implementation plan, in the amount of US \$173,000, plus agency support costs of US \$22,490 for UNEP.

## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF CABO VERDE 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 Cabo Verde (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 zero ODP tonnes by 1 January 2030 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
  - (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 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”) 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 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 role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 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 to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to the information necessary to verify compliance with this Agreement.

### 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	0.25

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

Row	Particulars	2021	2022 - 2023	2024	2025 – 2026	2027	2028 - 2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.72	0.72	0.72	0.36	0.36	0.36	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.04	0.04	0.04	0.02	0.02	0.02	0	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	173,000	0	131,000	0	79,000	0	44,500	427,500
2.2	Support costs for Lead IA (US \$)	22,490	0	17,030	0	10,270	0	5,785	55,575
3.1	Total agreed funding (US \$)	173,000	0	131,000	0	79,000	0	44,500	427,500
3.2	Total support costs (US \$)	22,490	0	17,030	0	10,270	0	5,785	55,575

Row	Particulars	2021	2022 - 2023	2024	2025 – 2026	2027	2028 - 2029	2030	Total
3.3	Total agreed costs (US \$)	195,490	0	148,030	0	89,270	0	50,285	483,075
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								0.16
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)								0.09
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0

\*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 second 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 Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The National Ozone Unit will submit annual progress reports of the status of implementation to the Lead IA. The verification of the achievement of the performance targets as per Executive Committee requirements will be assigned to an independent company or independent consultants selected 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;
  - (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) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country, the allocation of the reductions to the different budget items and to the funding of the Lead IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (l) Providing assistance with policy, management and technical support when required; and
- (m) 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 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.