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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-fourth Meeting  
Montreal, 25-29 July 2011

**PROJECT PROPOSAL: ALBANIA**

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

Phase-out

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

UNIDO and  
UNEP

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

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HPMP	UNEP, UNIDO (lead)

<b>(II) LATEST ARTICLE 7 DATA</b>	Year: 2009	5.4 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP)</b>						<b>Year: 2010</b>			
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC123									
HCFC124					0.0				0.0
HCFC141b									
HCFC142b					0.6				0.6
HCFC22					5.9				5.9

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline (estimate):	5.9	Starting point for sustained aggregate reductions:	6.6
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.0	Remaining:	3.85

<b>(V) BUSINESS PLAN</b>		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.2		0.2			0.2		0.2		0.2	1.0
	Funding (US \$)	45,958	0	45,958	0	0	36,766	0	34,744	0	18,383	181,810
UNIDO	ODS phase-out (ODP tonnes)	0.3		0.2			0.3				0.2	1.0
	Funding (US \$)	44,464	0	39,524	0	0	54,345	0	0	0	29,643	167,976

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

<b>(VI) PROJECT DATA</b>			<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Montreal Protocol consumption limits			n/a	n/a	5.9	5.9	5.3	5.3	5.3	5.3	5.3	3.9	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	5.93	5.93	5.34	5.34	5.34	5.34	5.34	3.85	
Project Costs requested in principle (US \$)	UNEP	Project costs	25,000		20,000		23,000			8,500		8,500	85,000
		Support costs	3,250		2,600		2,990			1,105		1,105	11,050
	UNIDO	Project costs	45,000		92,000		40,000			30,000		23,000	230,000
		Support costs	4,050		8,280		3,600			2,700		2,070	20,700
Total project costs requested in principle (US \$)			70,000	0	112,000	0	63,000	0	0	38,500	0	31,500	315,000
Total support costs requested in principle (US \$)			7,300	0	10,880	0	6,590	0	0	3,805	0	3,175	31,750
Total funds requested in principle (US \$)			77,300	0	122,880	0	69,590	0	0	42,305	0	34,675	346,750

<b>(VII) Request for funding for the first tranche (2011)</b>		
<b>Agency</b>	<b>Funds requested (US \$)</b>	<b>Support costs (US \$)</b>
UNEP	25,000	3,250
UNIDO	45,000	4,050

<b>Funding request:</b>	Approval of funding for the first tranche (2011) as indicated above
<b>Secretariat's recommendation:</b>	For individual consideration

## PROJECT DESCRIPTION

1. On behalf of the Government of Albania UNIDO, as the lead implementing agency, has submitted to the 64<sup>th</sup> Meeting of the Executive Committee stage I of the HCFC phase-out management plan (HPMP) at a total cost, as originally submitted, of US \$830,000, plus agency support cost of US \$33,000 for UNIDO, and US \$50,700 for UNEP. The HPMP covers strategies and activities to achieve a 10 per cent reduction in HCFC consumption by 2015.

2. The first tranche for stage I being requested at this meeting amounts to US \$10,000 plus agency support cost of US \$750 for UNIDO, and US \$60,000 plus agency support cost of US \$4,500 for UNEP, as originally submitted.

### Background

#### ODS regulations

3. The Ministry of Environment, Forestry and Water Management (MEFWA) is the national body responsible for the implementation of the Montreal Protocol. The National Ozone Unit (NOU) was established within the Ministry to carry out operational activities and for meeting reporting requirements. Albania is a potential candidate country for accession to the European Union (EU). The country is amending its environmental legislations in order to keep conformity with EU legislation. The Government of Albania passed the Council of Ministers' Decree No. 453 in 2005 which, *inter alia*, controls the import and export of all ozone-depleting substances (ODS). The regulations were amended through the decision of the Council of Ministers' No. 290 in April 2010 to include HCFCs and HCFC blends into the list of controlled substances. They stipulate that all importers of ODS and ODS-containing equipment must be registered and also include a quota system to control the imports of ODS through import permits within the national quota that is set according to the Montreal Protocol phase-out schedule. Albania has placed a ban on the import of HCFC-based equipment starting from 2010.

#### HCFC consumption

4. All HCFCs used in Albania are imported as the country does not produce these substances. The survey undertaken during the HPMP preparation showed that HCFC-22 accounted for 93 per cent of the total HCFCs used in the country. The remaining 7 per cent are HCFC-142b and HCFC-124 contained in refrigerant blends R-406, R-409 and R-502. HCFCs are predominantly used in the refrigeration servicing sector. In 2009, the total refrigerant consumption amounted to 181.3 metric tonnes (mt). Of this total amount, HCFCs accounted for 118.3 mt, or 65.3 per cent. Table 1 shows the level of HCFC consumption.

Table 1: HCFC level of consumption in Albania

Year	Article 7 data		Survey data							
	HCFC-22		HCFC-22		HCFC-142b		HCFC-124		Total HCFCs	
	mt	ODP	mt	ODP	mt	ODP	mt	ODP	mt	ODP
2006	0*	0*	40.0	2.2	-	-	-	-	40.0	2.2
2007	46.3	2.5	46.3	2.5	-	-	-	-	46.3	2.5
2008	74.5	4.1	85.5	4.7	7.5	0.5	0.2	0.0	93.2	5.2
2009	97.4	5.4	109.7	6.0	8.4	0.5	0.2	0.0	118.3	6.6

\* HCFC consumption was reported as zero due to the unavailability of data.

5. The HCFC consumption in 2006 was reported as zero because HCFC reporting was not compulsory and data was not collected. During the survey, consumption data for HCFC-22 was collected for the period of 2006 to 2009, while for HCFCs-containing blends this was only collected for 2008 and 2009 as records were not retrievable. The total HCFC consumption from the survey for 2008 and 2009 showed slightly higher values as compared with Article 7 data, because the HCFC-containing blends were not included under the Article 7 reporting. The HCFC consumption established from the survey included both pure HCFC-22 and the HCFCs-containing blends and is therefore considered more accurate. The country is considering revising the Article 7 data for 2009.

6. The non-HCFC refrigerants used in the country include ammonia, carbon dioxide, HFC-134a and HFC blends (R-404A, R-507, R-407C, R-410A), as well as hydrocarbon refrigerants (R-600, R-290, R-1270). HCFC- and HFC-based refrigerants are the least expensive refrigerants available on the market. Hydrocarbon R-600a is the most expensive refrigerant. Due to the safety concerns on the hydrocarbon refrigerants, HFCs are the most commonly used alternative refrigerants for replacing HCFCs.

#### Sectoral distribution of HCFCs

7. The installed capacity of refrigeration and air-conditioning equipment using HCFCs was estimated at 707,938 units in 2008. The average charge for different types of equipment was estimated and used to calculate the total installed capacity. The average leakage rate was estimated as 16 per cent. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector for 2008

Sector	Est. no. of units	Installed capacity (tonnes)		Service demand (tonnes)	
		metric	ODP	metric	ODP
Room air-conditioners	220,081	260.0	14.3	22.0	1.2
Refrigerated transport and mobile AC units*	56,782	60.0	3.3	12.0	0.7
Chillers	200	60.0	3.3	14.9	0.8
Domestic & light commercial refrigeration	437,949	65.0	3.6	12.3	0.7
Commercial and industrial refrigeration systems	2,926	30.0	1.7	13.3	0.7
<b>TOTAL</b>	<b>717,938</b>	<b>475.0</b>	<b>26.1</b>	<b>74.5</b>	<b>4.1</b>

\* Equipment such as busses, trains, trucks, ships, containers

#### Estimated baseline for HCFC consumption

8. The estimated baseline for HCFC consumption was calculated as 6.6 ODP tonnes by Albania using the average of 2009 consumption of 5.4 ODP tonnes reported under Article 7 and the estimated consumption of 7.7 ODP tonnes for 2010.

#### Forecast of future HCFC consumption

9. Albania estimated its future demand for HCFCs based on the needs for servicing existing equipment and for charging new installations, which presents 10 per cent growth annually from 2010 to 2015. Table 3 below provides a summary of the forecast, showing the difference between constrained growth (i.e. in line with the Montreal Protocol) and unconstrained growth.

Table 3: Forecast consumption of HCFCs

		2009*	2010	2011	2012	2013	2014	2015
Constrained HCFC consumption	mt	97.4	120.0	120.0	120.0	107.4	107.4	96.7
	ODP t	5.4	6.6	6.6	6.6	6.0	6.0	5.4
Unconstrained HCFC consumption	mt	97.4	140.0	154.0	169.4	186.3	205.0	225.5
	ODP t	5.4	7.7	8.5	9.3	10.2	11.3	12.4

\*officially reported Article 7 data

### HCFC phase-out strategy

10. The Government of Albania is proposing to follow the Montreal Protocol schedule and adopt a staged approach to meet the complete phase-out of HCFCs by 2030 with a 2.5 per cent servicing tail to 2040. The current submission only contains stage I of the HPMP to achieve a 10 per cent reduction by 2015 and focuses on activities in the refrigeration servicing sector.

11. Albania will reduce the demand for HCFCs for servicing existing equipment through recovery and reuse, training of technicians to improve their service practices and applying new technologies to reduce leakage rate. Policy instruments including levies, price control and import quotas will be used to promote low-global-warming-potential (GWP) refrigerants. Albania will also strengthen the licensing and quota system to monitor and control the imports of HCFCs to ensure that these are within the limits set in the reduction schedule. Table 4 provides a summary of the specific activities and implementation time frame of stage I of the HPMP.

Table 4: Specific activities of stage I of the HPMP and proposed period of implementation

Description of activities	Implementation schedule
Training of technicians in workshops on policies, regulations and code of practice	2011-2015
Training and certification of technicians in vocational school, reviewing and updating course curriculum	2014
Training of customs officers and environmental inspectors on legislations, licensing and quota system, labelling of containers	2011-2012
Provision of equipment and tools, strengthening refrigerant recovery, reuse and recycling	2013-2015
Establishment of waste disposal centre and collection of ODS	2013-2015
Institutional strengthening, policy component for licensing HCFC blends, safety standards	2011-2015
Project management, monitoring and coordination	2011-2015

### Cost of the HPMP

12. The total cost of stage I of the HPMP for Albania has been estimated at US \$830,000 to achieve a 10 per cent reduction in HCFC consumption by 2015. The detailed cost breakdown for activities is listed in Table 5.

Table 5: Proposed activities and cost of stage I of the HPMP

Project component	Cost (US \$)		Total
	UNIDO	UNEP	
Training of technicians in workshops	-	60,000	60,000
Training of technicians in vocational school	40,000	-	40,000
Training of customs officers	-	30,000	30,000
Provision of equipment and tools	150,000	-	150,000
Establishment of waste disposal centre and collection of ODS	200,000	-	200,000
Institutional strengthening and policy component	-	300,000	300,000
Project management, monitoring and coordination	50,000	-	50,000
Total	440,000	390,000	830,000

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

13. The Secretariat reviewed the HPMP for Albania in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60<sup>th</sup> Meeting (decision 60/44), and subsequent decisions on HPMPs made at the 62<sup>nd</sup> and 63<sup>rd</sup> Meetings and the 2011-2014 business plan of the Multilateral Fund.

#### Issue related to consumption

14. The Secretariat raised concerns about the estimated baseline of 6.6 ODP tonnes. It queried the basis for the estimation of 2010 consumption of 7.7 ODP tonnes, which represents a 43 per cent increase over the 2009 reported consumption and 17 per cent increase over the 2009 consumption from the survey.

15. UNIDO explained that the Article 7 data did not include refrigerant blends and therefore is considered inaccurate. Thus the estimation of 2010 consumption was based on the survey data. The historical trends in the survey showed a 27 per cent increase from 2008 to 2009, therefore the estimation of 18 per cent growth was considered moderate. Based on the Secretariat's comment Albania agreed to adjust the estimated consumption for 2010 to 6.6 ODP tonnes. The Secretariat further advised Albania that, in line with decision 60/44(e), the estimated baseline could be adjusted when the Article 7 data for 2010 is formally reported. If this adjustment places the country into another funding category specified in 60/44(f)(xii), then the funding level would be adjusted accordingly in future tranches.

16. During the final stage of the project review, the 2010 consumption data was received by the Secretariat in the country programme report. The country agreed to use it for calculating the baseline.

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

17. The Government of Albania agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average of actual reported consumption of 97.4 mt (5.4 ODP tonnes) in 2009 and the consumption of 117.4 mt (6.5 ODP tonnes) for 2010 submitted in the country programme report, which results in 107.4 mt (5.9 ODP tonnes). The business plan indicated a baseline of 5.6 ODP tonnes.

Technical and cost issues

18. The Secretariat raised concerns about the proposed phase-out target of 10 per cent reduction by 2015 in stage I of the HPMP and the funding requested for the period 2011 to 2020. The Secretariat advised the country that, although low-volume-consuming countries (LVC) are given choices to request funding for either up to 2015 or 2020, the phase-out target would need to match the funding period. It is not possible to cover 10 per cent reduction by 2015 but request funding for up to 2020. Upon clarification, Albania adjusted the phase-out strategy to cover the 35 per cent reduction by 2020 in stage I of the HPMP. The proposed activities and implementing period were also adjusted.

19. The Secretariat noted that the HPMP included an investment component for establishing an ODS waste disposal facility. It advised the country that ODS disposal is an investment activity beyond the scope of the HPMP. The country should include it in the agency's work programme and the business plan for project preparation first. After discussion, the country agreed to remove this component from the HPMP.

20. The HPMP initially also included the institutional strengthening (IS) funding request. The Secretariat advised the country that, if the IS component is integrated into the HPMP, the release of funding would be subject to achievement of performance targets specified in the multi-year agreement. The country took note of the advice. At the final stage of project review, UNIDO informed the Secretariat that the country requested to remove IS component from the HPMP.

21. The Secretariat noted that the country had also included the import of CFC blend R-502 in the 2009 consumption level. It advised the country that import of R-502 after 1 January 2010 would place the country in a status of non-compliance. UNIDO advised the Secretariat that the import of R-502 has been banned since 2010.

22. The Secretariat further raised concerns about the total funding of US \$330,000 requested for the refrigeration servicing sector to achieve a 35 per cent reduction in stage I of the HPMP. This exceeds the maximum eligible funding of US \$315,000 specified in decision 60/44(f)(xii) for a LVC with a baseline of 107.4 mt. Albania took the Secretariat's comment into consideration and adjusted the requested funding to US \$315,000. The proposed activities, implementation period and detailed cost breakdown are presented in Table 6.

**Table 6: Activities, implementation period and agreed cost of the stage I of the HPMP**

Project component	Implementation schedule	Cost (US \$)		
		UNIDO	UNEP	Total
Training of technicians in workshops on policies, regulations and code of practice	2011-2020	-	60,000	60,000
Training and certification of technicians in vocational school, reviewing and updating course curriculum	2013-2016	30,000	-	30,000
Training of customs officers and environmental inspectors on legislations, licensing and quota system, labelling of containers*	2011-2012	-	25,000	25,000
Provision of equipment and tools, strengthening refrigerant recovery, reuse and recycling	2012-2014	150,000	-	150,000
Project management, monitoring and coordination	2011-2020	50,000	-	50,000
<b>Total</b>	<b>2011-2015</b>	<b>230,000</b>	<b>85,000</b>	<b>315,000</b>

\*Due to limited funding, training of customs officers are planned for training of trainers only. Additional training will be covered by the institutional strengthening programme if required.



### Impact on the climate

23. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO<sub>2</sub>-equivalent tonnes. A preliminary estimation of the impact on the climate as calculated by Albania in its HPMP indicates that 68,472 CO<sub>2</sub>-equivalent tonnes would not be emitted into the atmosphere annually after completion of stage I of the HPMP. This was calculated by multiplying the total phase-out tonnage of 38 mt by the GWP value of HCFC-22. This figure is higher than the potential climate impact of the HPMP indicated in the 2011-2014 business plan of 6,415.5 CO<sub>2</sub>-equivalent tonnes. This is because the figure in the business plan was estimated based on the amount of CO<sub>2</sub> reduction equivalent to 10 per cent reduction of HCFC baseline in the business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

### Co-financing

24. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, UNIDO informed the Secretariat that Albania has not identified any resources for co-financing. However, the NOU, under 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.

### 2011-2014 business plan of the Multilateral Fund

25. UNIDO and UNEP are requesting US \$315,000 plus support costs for implementation of stage I of the HPMP. The total value requested for the period of 2011-2014 of US \$200,180 including support cost is above the total amount of US \$175,900 in the business plan. This is because more funding is required at the initial stage to kick start the project.

### Monitoring and coordination

26. Project monitoring and coordination of activities are planned to take place throughout the implementation period. All the monitoring activities will be coordinated and managed by NOU. Reporting on the progress made during the implementation period will also be carried out by the NOU with support from UNIDO.

### Draft Agreement

27. A draft Agreement between the Government of Albania and the Executive Committee for HCFC phase-out is contained in Annex I to the present document.

## RECOMMENDATION

28. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Albania for the period 2011 to 2020, at the amount of US \$346,750, consisting of US \$230,000, plus agency support costs of US \$20,700 for UNIDO, and US \$85,000, plus agency support costs of US \$11,050 for UNEP;
- (b) Noting that the Government of Albania had agreed to establish an estimated baseline of 5.9 ODP tonnes as its starting point for sustained aggregate reduction in HCFC consumption, calculated using actual consumption of 5.4 ODP tonnes reported for 2009 and consumption of 6.5 ODP tonnes estimated for 2010;
- (c) Approving the draft Agreement between the Government of Albania and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted; and
- (e) Approving the first tranche of stage I of the HPMP for Albania, and the corresponding implementation plan, at the amount of US \$77,300, consisting of US \$45,000, plus agency support costs of US \$4,050 for UNIDO, and US \$25,000, plus agency support costs of US \$3,250 for UNEP.

## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF ALBANIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS**

1. This Agreement represents the understanding of the Government of 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 3.85 ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time, once the baseline consumption for compliance has been established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.
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 which exceeds the level defined in row 1.2 of Appendix 2-A (“Maximum allowable total consumption of Annex C, Group I Substances”) 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 which exceeds the level defined in row 4.1.3 (remaining eligible consumption).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3.1 of Appendix 2-A (“The Targets, and Funding”) 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. 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 (“The Targets, and Funding”) of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
  - (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
  - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
  - (c) That the Country had submitted annual implementation reports in the form of Appendix 4-A (“Format of Implementation Reports and Plans”) covering each previous calendar year, that it had achieved a significant level of implementation of activities initiated with previously approved tranches, and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent;

- (d) That the Country has submitted and received approval from the Executive Committee for an annual implementation plan in the form of Appendix 4-A (“Format of Implementation Reports and Plans”) covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen; and
- (e) That, for all submissions from the 68<sup>th</sup> Meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous annual implementation plans in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 4 above.

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

- (a) Reallocations categorized as major changes must be documented in advance in an annual implementation plan and approved by the Executive Committee as described in sub-paragraph 5(d) above. Major changes would relate to issues potentially concerning the rules and policies of the Multilateral Fund; changes which would modify any clause of this Agreement; changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and provision of funding for programmes or activities not included in the current endorsed annual implementation plan, or removal of an activity in the annual implementation plan, with a cost greater than 30 per cent of the total cost of the tranche;
- (b) Reallocations not categorized as major changes may be incorporated in the approved annual implementation plan, under implementation at the time, and reported to the Executive Committee in the annual implementation report; and
- (c) Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

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

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (the “Lead IA”) and 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 any of the agencies taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the overall plan with the changes approved as part of the subsequent submissions, including but not limited to independent verification as per sub paragraph 5(b). This responsibility includes the necessity to co-ordinate with the Cooperating IA to ensure appropriate timing and sequence of activities in the implementation. The Cooperating IA will support the Lead IA by implementing the activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and Cooperating IA have reached consensus on the arrangements regarding inter-agency planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co-ordination meetings. 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.

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 in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee, 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 information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A continue until the time of the completion if not specified by the Executive Committee otherwise.

15. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

## APPENDICES

### APPENDIX 1-A: SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	5.93

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

Row	Parameter/Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	5.9	5.9	5.3	5.3	5.3	5.3	5.3	3.9	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	5.93	5.93	5.34	5.34	5.34	5.34	5.34	3.85	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	45,000		92,000		40,000			30,000		23,000	230,000
2.2	Support costs for Lead IA (US \$)	4,050		8,280		3,600			2,700		2,070	20,700
2.3	Cooperating IA (UNEP) agreed funding (US \$)	25,000		20,000		23,000			8,500		8,500	85,000
2.4	Support costs for Cooperating IA (US \$)	3,250		2,600		2,990			1,105		1,105	11,050
3.1	Total agreed funding (US \$)	70,000		112,000		63,000			38,500		31,500	315,000
3.2	Total support costs (US \$)	7,300		10,880		6,590			3,805		3,175	31,750
3.3	Total agreed costs (US \$)	77,300		122,880		69,590			42,305		34,675	346,750
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											2.08
4.1.2	Phase-out of HCFC-22 to be achieved through previously approved projects (ODP tonnes)											0
4.1.3	Remaining eligible consumption of HCFC-22 (ODP tonnes)											3.85

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the second meeting of the year specified in Appendix 2-A.

#### APPENDIX 4-A: FORMAT OF IMPLEMENTATION REPORTS AND PLANS

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

- (a) A narrative report regarding the progress since the approval of the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the Country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;
- (b) A verification report of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken until the planned submission of the next tranche request, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the Country and the Lead IA; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

## **APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. The National Ozone Unit (NOU) of the Ministry of Environment, Forests and Water Administration is designated as a national focal point for the implementation and co-ordination of programmes related to the implementation of the Montreal Protocol. Therefore, it will continue to play this role over the period of HPMP implementation.

2. As the Lead IA, UNIDO will be responsible for the overall implementation of the HPMP including the monitoring and co-ordination of various activities with the NOU and the Cooperating IA, preparation of progress reports and requests for the annual tranches. Through the monitoring and co-ordination project, the Lead IA will ensure independent verification on the achievement of the performance targets specified in the HPMP.

## **APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include at least the following:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
- (b) Assisting the Country in preparation of the Implementation Plans and subsequent reports as per Appendix 4-A;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Implementation Plan consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future annual implementation plans consistent with sub paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the annual implementation reports, annual implementation plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (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 and the Cooperating IA, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;



- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization 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 AGENCY**

1. UNEP will be responsible for a range of activities. These are specified in the overall plan further, but include at least the following:

- (a) Providing policy development assistance 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 coordinated sequence in the activities; and
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per 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.

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