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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: LESOTHO

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) Germany

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Lesotho

(I) PROJECT TITLE	AGENCY
HPMP	Germany (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2009	10.3 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2010			
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption		
				Manufacturing	Servicing						
HCFC123											
HCFC124											
HCFC141b											
HCFC142b											
HCFC22					3.1						3.1

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline (estimate):	3.9	Starting point for sustained aggregate reductions:	3.9
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	2.5

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)	1.3	0.0	1.3		1.3				0.4		4.3
	Funding (US \$)	119,848	0	119,848	0	115,854	0	0	0	39,949	0	395,500

			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			-	-	7.1	7.1	6.4	6.4	6.4	6.4	6.4	4.6	
Maximum allowable consumption (ODP tonnes)			-	-	3.9	3.9	3.5	3.5	3.5	3.5	3.5	2.5	
Project Costs requested in principle(US\$)	Germany	Project costs	100,000	-	-	68,000	-	-	84,000	-	-	28,000	280,000
		Support costs	13,000	-	-	8,840	-	-	10,920	-	-	3,640	36,400
Total project costs requested in principle (US \$)			100,000	-	-	68,000	-	-	84,000	-	-	28,000	280,000
Total support costs requested in principle (US \$)			13,000	-	-	8,840	-	-	10,920	-	-	3,640	36,400
Total funds requested in principle (US \$)			113,000	-	-	76,840	-	-	94,920	-	-	31,640	316,400

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
Germany	100,000	13,000

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Lesotho the Government of Germany, as the designated implementing agency, has submitted to the 64th meeting of the Executive Committee stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$280,000 plus agency support costs of US \$36,400, as originally submitted to implement activities that will enable the country to comply with the Montreal Protocol control targets up to the 35 per cent reduction in HCFC consumption by 2020. The first tranche for stage I being requested at this meeting amounts to US \$140,000 plus agency support costs of US \$18,200 for Germany.

Background

2. Lesotho, with a total population of about 1.88 million inhabitants, has ratified all the amendments to the Montreal Protocol.

ODS regulations

3. The National Environmental Act of 2008 provides the necessary legal framework for the sustainable management of the environment and the natural resources in Lesotho. The Ministry of Tourism, Environment and Culture is the focal point for implementation of this Act and for the development of policies, regulations and guidelines under this Act. The Ministry of Natural Resources, through its Lesotho Meteorological Services (LMS), has a key role on the protection of the ozone layer and climate change. The LMS is responsible for the implementation of the Montreal Protocol, notification of regulations pertaining to the Protocol, issues related to international cooperation, imports and consumption of ODS, and monitoring ODS phase-out activities. The Ministry of Trade and Industry is responsible for approving trading licenses and permits while the Customs Department controls ODS imports at the 10 border posts around the country.

4. In June of 2010 a Steering Committee was established to, *inter alia*, advise the Government on technical and legal issues related to the establishment of an ODS licensing and quota system, the use of non-ODS-based equipment, and the establishment of a data collection mechanism on ODS and ODS-based equipment. It includes representatives from the ministries of Finance; Trade and Industries; Tourism, Environment and Culture; Agriculture and Food Security; the Lesotho refrigeration association, Customs and Exercise, and training institutions.

5. Within the National Environmental Act of 2008, the Government has drafted ODS regulations that will be enacted during the first half of 2011. These regulations contain provisions for a licensing system, labelling requirements for ODS identification, stricter monitoring and recordkeeping for importers, a ban on emissive uses of ODS, good servicing practices to reduce emissions, and non-ODS alternatives. Currently, the Government is applying the existing legislation to control the use of ODS (including HCFCs), which has been used effectively for phasing out consumption of CFCs, halons and methyl bromide (MB). An import/export permit system was enforced and monitored in close coordination with the Customs and police services, the Ministry of Tourism, Environment and Culture, and the Ozone Unit.

HCFC consumption and sector distribution

6. According to the survey conducted for the preparation of the HPMP, HCFC-22 is the only HCFC used in the installation and servicing of refrigeration and air-conditioning equipment in Lesotho. The 2005-2010 HCFC consumption in Lesotho is shown in Table 1.

Table 1. HCFC consumption in Lesotho (2005-2009)

Year	Data gathered for the survey		Article 7 data	
	mt	ODP tonnes	mt	ODP tonnes
2005	19.3	1.1	14.5	0.8
2006	33.8	1.9	25.5	1.4
2007	35.6	2.0	140.0	7.7
2008	59.3	3.3	210.9	11.6
2009	68.4	3.8	187.3	10.3
2010	71.6	3.9		

7. HCFC consumption data reported under Article 7 was based on information gathered from servicing technicians on the amounts of refrigerant charged into the systems and that used for servicing. However, during the preparation of the HPMP, consumption data was collected directly from the registered importers of HCFCs that sell the refrigerant to all users. This consumption was much lower than that reported under Article 7. Based on the consumption data reported under the HPMP, the HCFC baseline for compliance is estimated at 3.9 ODP tonnes.

8. The 2010-2020 forecast of HCFC consumption (based on the data gathered during the preparation of the HPMP) is shown in Table 2.

Table 2. Forecast of 2010-2020 HCFC consumption

HCFC consumption		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constrained	mt	71.7	75.3	70.0	70.0	70.0	63.0	63.0	63.0	63.0	63.0	45.5
	ODP	3.9	4.1	3.9	3.8	3.8	3.4	3.4	3.4	3.4	3.4	3.4
Unconstrained	mt	71.7	75.3	79.0	83.0	87.1	91.5	96.1	100.9	105.1	111.2	116.8
	ODP	3.9	4.1	4.4	4.6	4.8	5.0	5.3	5.6	5.8	6.1	6.4

9. In 2009, there were some 12,200 air conditioning units in operation, representing 76 per cent of the total population of equipment. Over 56 per cent of the annual consumption of HCFC-22 is used for servicing refrigeration air conditioning systems installed in households and office buildings (Table 3).

Table 3: Sector consumption of HCFC-22 in Lesotho (2009)

Distribution of equipment	HCFC-22	Distribution (%)
Residential (air conditioning systems)	28.24	41.4
Offices (including hospitals)	10.48	15.3
Commercial establishments (including supermarkets)	9.52	13.9
Industrial installations (including food/beverage storage)	8.23	12.1
Several (butcherries, mortuaries, vaccines)	5.92	8.7
Hotels	5.89	8.6
Total	68.28	100.0

10. There are a total of 14 service workshops in the country, 50 formally trained refrigeration technicians; over 60 technicians who have not received training but have learned the trade through experience, and 100 untrained technicians who service systems on a part-time basis. The Lesotho Refrigeration Association was established in 2000. It provides a common code of conduct and practice for all members, including all companies in the refrigeration sector, and plays a key role in ODS phase-out. The current prices of HCFCs and alternative refrigerants per kilogram in the country are: US \$9.47 for HCFC-22, US \$14.20 for HFC-134a; US \$21.30 for R-404A; US \$28.40 for R-410A; US \$238.10 for R-290 (propane).

HCFC phase-out strategy

11. The overarching strategy of Lesotho's HPMP seeks to phase out HCFC consumption in accordance with the Montreal Protocol schedule without causing commercial and financial dislocations in the country. The strategy will be based on the consolidated experience gained during the implementation of the refrigerant management plan (RMP) and the terminal phase-out management plan (TPMP). The HPMP for Lesotho proposes to implement the following activities:

- (a) Strengthening of the existing ODS import licensing system through the introduction of quotas for HCFCs to meet servicing sector needs from 2012, along with import controls on HCFC-based equipment to reduce the number from the baseline to 50 per cent in 2013, with a complete ban by mid-2015; and application of a supplementary surcharge on HCFC imports and HCFC-containing equipment;
- (b) Technicians training and certification programme to improve service practices including retrofitting/drop-in practices, to provide equipment and tools to technicians and service workshops;
- (c) Improvement of the recovery and recycling scheme through additional recovery machines and one recycling unit, and establishment of an incentive programme for the conversion of HCFC-based equipment; and
- (d) Project coordination, monitoring and management to ensure that the proposed activities under the HPMP are properly implemented.

12. The total cost for stage I of the HPMP to meet the Montreal Protocol's HCFC compliance targets up to and including the 35 per cent reduction by 2020 has been estimated at US \$408,000, of which US \$280,000 is requested by the Government from the Multilateral Fund and the remaining US \$128,000 is to be co-financed by the Government, as shown in Table 4.

Table 4. Total cost of the HPMP for Lesotho

Activities	Multilateral Fund (US\$)	Counterpart (US\$)
Policy, regulations and enforcement	60,000	10,000
Refrigeration servicing sector	74,000	22,000
Recovery and recycling activities	50,500	5,000
Incentive scheme	55,500	51,000
Project monitoring, reporting and verification	40,000	40,000
Total	280,000	128,000

13. The Ozone Unit will play a key role by coordinating and implementing the HPMP. It will be responsible for disseminating information, allocating HCFC import quotas, coordinating activities with relevant national authorities and international agencies, industrial associations and key stakeholders.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

14. The Secretariat reviewed the HPMP for Lesotho 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 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd and 63rd meetings, and the 2011-2014 business plan of the Multilateral Fund.

15. Stage I of the HPMP for Lesotho was first submitted to the 63rd meeting at a total cost of US \$1,517,500 (excluding agency support costs) for the complete phase-out of all HCFC consumption by 2022. During the review process, several issues were raised with regard to the estimated levels of HCFC consumption being reported, the number of HCFC-based refrigeration equipment in operation and the amount of HCFCs needed for servicing. With regard to the accelerated phase-out schedule proposed by the Government, attention was drawn to several factors that would have a major impact on meeting this goal, many of which were not under the Government's control. These factors included the risk of illegal trade depending on the HCFC phase-out strategy and action plan of the Government of neighbouring South Africa; the wide availability and low price of HCFC-22, coupled with limited availability and high-global-warming-potential (GWP) of alternative refrigerants; the cost and effectiveness of retrofitting the HCFC-based refrigeration equipment that would still have a significant useful life past 2015; the small number of HCFC-based equipment that could be retired; and the market availability of new cost-effective and possibly energy-efficient alternative technologies in the refrigeration sector.

16. Based on the above observations and the limited time that was available to address them, the Government of Germany requested deferral of the HPMP for Lesotho to a future meeting. The HPMP submitted to the 64th meeting proposes a phase-out schedule as agreed by the Parties.

Compliance issue

17. The Secretariat pointed out that decision XXII/19 the Parties to the Montreal Protocol, *inter alia*, urged Lesotho to establish an import and export licensing systems for ODS and to report to the Ozone Secretariat by 31 May 2011 in time for the 46th meeting of the Implementation Committee and the 23rd meeting of the Parties in 2011, to review its compliance situation. Given the lack of a licensing system, funding for the activities proposed in the HPMP for Lesotho could not be disbursed. It was also noted that HCFC control measures in legislation, regulations and licensing systems would have been finalized and implemented during the preparation of the HPMP, which is a prerequisite for funding the implementation of the HPMP (decision 54/39 (e)). Upon a suggestion to submit all relevant information to the Ozone Secretariat for consideration by the Implementation Committee, on 23 May 2011 the Government of Lesotho sent a letter for consideration by the Implementation Committee stating that "Lesotho has successfully controlled and phased out the use of CFC already in 2005 and all other Annex A substances well before 2010 deadline. This has been largely possible due to the use of the existing trade licensing system under the Custom and Excise Act No. 10 of 1982 which has the provision to control imports and exports. All ODS have so far successfully been controlled through the enforcement of the licensing system under this Act. The Government of Lesotho therefore firmly believes that it has an interim licensing system already in place to control the trade of ODS. The same provision is now being used to control HCFC imports". It further indicated that the ODS regulations are expected to be formally approved before 31 July 2011.

HCFC consumption

18. Discrepancies were found between the consumption data reported in the HPMP and that officially reported by the Government of Lesotho under Article 7 of the Montreal Protocol. Given that the consumption data reported in the HPMP is based on the survey conducted for its preparation, the Secretariat suggested that the Government of Lesotho submit an official request to the Ozone Secretariat to review its previously reported HCFC consumption. The fact that HCFC consumption for 2009 is used to calculate the baseline for compliance for Article 5 Parties means that any change to the reported data should follow the methodology for the revision of baseline data adopted by the Parties to the Montreal Protocol at their 15th Meeting (decision XV/19) (i.e., the request should be submitted for consideration by the Implementation Committee). The Government of Germany indicated that the Ozone Unit of Lesotho had formally requested the Ozone Secretariat to review its previously reported HCFC consumption data.

Starting point for aggregate reduction in HCFC consumption

19. The HCFC baseline consumption for compliance is currently 7.1 ODP tonnes, calculated as the average of the actual consumption of 10.3 ODP tonnes reported under Article 7 for 2009 and the estimated consumption of 3.9 ODP for 2010. However, due to the results of the survey for the preparation of the HPMP, the Government of Lesotho agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average levels of consumption of 3.8 ODP tonnes for 2009 and 3.9 ODP tonnes for 2010 reported under the HPMP, resulting in 3.9 ODP tonnes.

Technical issues

20. Given the time frame for the implementation of stage I of the HPMP (up to 2020) and that the current prices of refrigerants in the country (where HCFC-22 prices are much lower than any other alternative refrigerants), the Secretariat suggested combining the proposed activities for recovery and recycling and end-user retrofit incentive into a broader technical assistance programme addressing, *inter alia*, a mechanism to identify medium-to-large sized HCFC-based refrigeration systems that could be retrofitted to alternative refrigerants in a technically viable and economically feasible manner; providing basic servicing tools for a limited number of certified workshops (i.e., brazing equipment, vacuum pumps, scales and leak detectors); potentially assembling simple recycling machines, combined with a limited number of multi-refrigerant recovery/recycling machines that could be used for large refrigeration systems; importation of low-cost non-HCFC blends that could be used for the various types of refrigeration equipment still in operation. In assessing this suggestion, the Government of Germany developed a technical assistance programme that will assist the training courses to be given to technicians, at a total cost of US \$106,000, with counterpart funding by the Government of US \$56,000.

Impact on the climate

21. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and the enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogram (kg) of HCFC-22 not emitted due to better refrigeration practices results in approximately 1.8 CO₂-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Lesotho, in particular its above average efforts to improve servicing practices and reduce associated refrigerant emissions, indicate that it is likely that the country will achieve the reduction of 14,092 CO₂-equivalent tonnes in emissions into the atmosphere as estimated in the 2011-2014 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 beginning of HPMP implementation, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22-based equipment being retrofitted.

Co-financing

22. 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, the Government of Lesotho has pledged US \$128,000 towards the implementation of the activities in the HPMP to be co-financed by the Government and the private sector.

2011-2014 business plan of the Multilateral Fund

23. Germany is requesting US \$280,000 plus support costs for the implementation of stage I of the HPMP. The total value requested for the 2011-2014 period of US \$189,840 including support cost is below the total amount in the business plan. Furthermore, based on the estimated HCFC baseline

consumption in the servicing sector of 3.9 ODP tonnes, Lesotho's allocation up to the 2020 phase-out target should be US \$280,000 in line with decision 60/44.

Draft Agreement

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

RECOMMENDATION

25. Noting that, in its report on the status of licensing systems and focal points for consideration by the Implementation Committee at its 46th Meeting the Ozone Secretariat will include Lesotho in the list of Parties to the Montreal Amendment to the Montreal Protocol that had established licensing systems, the Executive Committee may wish to consider:

- (a) Approving, in principle, and without prejudice to the non-compliance mechanism of the Montreal Protocol, stage I of the HCFC phase-out management plan (HPMP) for Lesotho for the period 2011 to 2020, at the amount of US \$280,000, plus agency support costs of US \$36,400 for the Government of Germany;
- (b) Noting that the Government of Lesotho has agreed to establish an estimated baseline of 3.9 ODP tonnes as its starting point for sustained aggregate reduction in HCFC consumption, calculated using consumption of 3.8 ODP tonnes for 2009 and 3.9 ODP tonnes for 2010 reported under the HPMP;
- (c) Approving the draft Agreement between the Government of Lesotho 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 are 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 levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any necessary adjustments being made when the next tranche is submitted; and
- (e) Approving the first tranche of stage I of the HPMP for Lesotho, and the corresponding implementation plan, at the amount of US \$100,000 and agency support costs of US \$13,000 for the Government of Germany.

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Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF LESOTHO 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 Lesotho 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 2.5 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 68th 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. Government of Germany 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 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). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 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, and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead 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: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	3.9

APPENDIX 2-A: THE TARGETS, AND FUNDING

		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)			7.1	7.1	6.4	6.4	6.4	6.4	6.4	4.6	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)			3.9	3.9	3.5	3.5	3.5	3.5	3.5	2.5	n/a
2.1	Lead IA Govt of Germany agreed funding (US \$)	100,000			68,000			84,000			28,000	280,000
2.2	Support costs for Lead IA (US \$)	13,000			8,840			10,920			3,640	36,400
3.1	Total agreed funding (US \$)	100,000			68,000			84,000			28,000	280,000
3.2	Total support cost (US \$)	13,000			8,840			10,920			3,640	36,400
3.3	Total agreed costs (US \$)	113,000			76,840			94,920			31,640	316,400
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											316,400
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											316,400
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											316,400
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											1.4
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											-
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											2.5

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. There are only limited funds available under this phase of the HPMP that does not allow for a full time monitoring officer. The project has decided to either use the services of the National Ozone Unit where feasible and possible or to hire a consultant for specific monitoring if and when required.

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;
- (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) 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 each implementing or bilateral agency involved;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) 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 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

3. 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.