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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-eighth Meeting
Montreal, 3-7 April 2006

PROJECT PROPOSAL: SAINT KITTS AND NEVIS

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

Refrigeration

- Terminal phase-out management plan (first tranche) UNDP and UNEP

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
SAINT KITTS AND NEVIS**

PROJECT TITLE	BILATERAL/IMPLEMENTING AGENCY
Terminal phase-out management plan (first tranche)	UNDP/UNEP

NATIONAL CO-ORDINATING AGENCY:	National Ozone Unit, Ministry of Physical Planning and the Environment
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF FEBRUARY 2006)**

Annex A Group I CFCs	3.33	Annex B Groups II and III	0.0
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF DECEMBER 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
CFC-11		Servicing: 3.13		Methyl bromide			Non-QPS 0.5
CFC-115		Servicing: 0.20					

CFC consumption remaining eligible for funding (ODP tonnes)	n/a
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CURRENT YEAR BUSINESS PLAN: Total funding UNDP: US \$110,200 UNEP: US \$44,000: total phase-out UNDP: 2.0 ODP tonnes .

PROJECT DATA	2006	2007	2008	2009	2010	Total
Montreal Protocol limits	1.85	0.56	0.56	0.56	0	
Annual consumption limit	1.85	0.56	0.56	0.56	0	
Project cost as originally submitted (US \$)	111,000	78,000	40,000	23,000	0	252,000
Final Project costs (US \$):						
Funding for lead agency: UNEP	40,000	60,000	30,000	14,000	0	144,000
Funding for cooperating agency: UNDP	50,000	45,000	10,000	3,000	0	108,000
Total project funding	90,000	105,000	40,000	17,000	0	252,000
Final Support costs (US \$)						
Support cost for lead agency: UNEP	5,200	7,800	3,900	1,820	0	18,720
Support cost for cooperating agency: UNDP	4,500	4,050	900	270	0	9,720
Total support costs (US \$)	9,700	11,850	4,800	2,090	0	28,440
TOTAL COST TO MULTILATERAL FUND (US \$)	99,700	116,850	44,800	19,090	0	280,440
Final project cost effectiveness (US \$/kg)	n/a					

FUNDING REQUEST: Approval in principle of total ODS phase-out, total project funding and total support costs, and approval of funding for first tranche (2006) as indicated above.

SECRETARIAT'S RECOMMENDATION	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Saint Kitts and Nevis UNEP, as the lead implementing agency, has submitted a terminal phase-out management plan on ozone depleting substances (TPMP), for consideration by the Executive Committee at its 48th Meeting. The project will also be implemented with assistance from UNDP.

2. The total cost of the Saint Kitts and Nevis TPMP is US \$252,000 plus agency support costs of US \$18,720 for UNEP and US \$9,720 for UNDP. The project proposes the phase-out of 1.85 ODP tonnes of CFCs (current consumption) by the end of 2009. The CFC baseline for compliance is 3.7 ODP tonnes.

Background

3. The Executive Committee approved, at its 24th Meeting, the RMP project for Saint Kitts and Nevis (UNEP/OzL.Pro/ExCom/24/20) and allocated US \$124,300 for its implementation by the Government of Canada as a bilateral contribution to the Fund. The RMP project consisted of the following activities:

- (a) Development and implementation of measures to control ODS and ODS-based equipment through quotas and import licenses, bans on new installations of ODS-based refrigeration systems, import concessions and tax incentives;
- (b) Training programme for refrigeration servicing technicians through the train-the-trainer approach;
- (c) Training programme for customs officers to implement ODS import policies and economic incentives, and to identify and monitor ODS imports; and
- (d) Establishment of a recovery and recycling network comprising six recovery units.

Refrigeration servicing sector

4. Current ODS consumption in Saint Kitts and Nevis is mainly CFC-12 used for servicing 11,170 CFC-based refrigeration systems in the domestic, commercial and MAC sub-sectors. Currently, there are still CFC-based compressors available on the market. The refrigeration systems are repaired by approximately 100 technicians in total, around 35 per cent of whom have received formal training.

5. The current prices of refrigerants per kg are: US \$8.17 for CFC-12; US \$21.80 for R-502; US \$7.90 for HCFC-22; and US \$16.20 for HFC-134a.

6. In May 2004, ODS Regulations were approved under the National Conservation and Environmental Protection Act of 1987, which brought the Vienna Convention and the Montreal Protocol into national law. These instruments constitute the legal basis for the ODS import/export licensing system. Import quotas for CFCs are administered by the Minister responsible for the environment, acting on the advice of the Ozone Officer. The quotas are based on CFC baseline consumption and are assigned to importers based on their historical market share.

7. The ODS Regulations include, *inter alia*: an immediate ban on imports of ODS-based refrigeration equipment; import prohibitions for certain aerosols, foams, solvents and fire-fighting equipment which depend on or contain CFCs; and the mandatory retrofit of any CFC-based refrigeration system imported into the country at the importer's expense before it is released by the Customs authorities.

Results achieved so far

8. The implementation of the RMP, together with other activities undertaken by the Government of Saint Kitts and Nevis, had reduced CFC consumption in the country from 7.0 ODP tonnes in 2000 to 3.3 ODP tonnes in 2004. However, 2004 CFC consumption was only 0.4 ODP tonnes below the baseline for compliance.

9. As a result of RMP implementation, 18 technicians received training in good refrigeration servicing practices in May 1999, and became the trainers for all other technicians in the country. The training programme for customs officers was completed in October 2004, through which 23 officers were trained as trainers. There are an additional 75 customs officers to be trained. Five refrigerant identifiers and three electronic scales were provided.

10. Implementation of the recovery and recycling programme commenced in October 2004. Through this programme, 15 technicians were trained in recovery/recycling operations in fixed and mobile refrigeration systems. Four refrigerant recovery machines were procured and distributed in September 2005. To date, the Ozone Officer has collected the following data on quantities of refrigerants recovered (in kg):

Refrigerant	October	November	December	Amount recovered	Amount reused
CFC-12	0.45	1.36	0.00	1.81	1.81
HCFC-22	15.45	65.91	31.82	113.18	110.91

Activities proposed in the TPMP

11. The Saint Kitts and Nevis TPMP includes the following sub-projects:

- (a) Training and certification of an additional 60 refrigeration servicing technicians in good refrigeration practices, and in recovery/recycling and retrofitting operations for fixed and mobile systems; certification of technicians and the establishment of an association of refrigeration technicians; developing and distributing a code of good practice; providing additional recovery and recycling equipment and associated training programmes; and monitoring and reporting on quantities of CFC recovered, recycled and reused;
- (b) Retrofit incentive programme for end-users, including technical support in the form of technical workshops and information dissemination; and
- (c) Enforcement of the licensing systems and prevention of illegal trade, including training of an additional 75 customs officers and other stakeholders in monitoring and control of ODS and CFC-based equipment, provision of ODS identification kits, and design and implementation of an illegal trade prevention network.

12. The Government of Saint Kitts and Nevis will achieve the complete phase-out of CFCs by 1 January 2010, in accordance with the provisions of the Montreal Protocol.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

13. At its 44th Meeting, the Executive Committee approved an additional US \$15,000 for UNEP, for the preparation of an RMP update project (in accordance with decision 31/48). However, with this level of funding, UNEP prepared the Saint Kitts and Nevis TPMP.

ODS consumption

14. The level of CFC consumption in 2005 has been estimated at 0.59 ODP tonnes (preliminary), which is 1.26 ODP tonnes below the allowable level of consumption for 2005 (i.e., 1.85 ODP tonnes).

Relevant decisions on RMP and TPMP

15. The total level of funding for the Saint Kitts and Nevis TPMP is US \$252,000, of which US \$205,000 are based on decision 45/54 on TPMPs for LVC countries (i.e., US \$205,000 for countries with CFC baselines below 15 ODP tonnes) and US \$47,000 are based on decision 31/48 on RMP updates (i.e., an additional 50 per cent of the RMP originally approved).

16. The Government of Saint Kitts and Nevis has already submitted all relevant documentation for the ratification of the Beijing Amendment to the Montreal Protocol. It is expected that the relevant documentation will be approved by the Cabinet of Ministers in March 2006.

Technical issues associated with the TPMP

17. Noting that the Saint Kitts and Nevis RMP project had been approved by the Executive Committee for implementation by the Government of Canada and that the Saint Kitts and Nevis TPMP proposal was being submitted by UNDP and UNEP, the Secretariat asked whether the Government of Canada had reviewed the project proposal prior to its submission to the Executive Committee. UNEP indicated that it had consulted with the Government of Canada and had been advised that Canada would not be able to further assist the Government of Saint Kitts and Nevis as a bilateral agency. UNEP also indicated that the comments from the Secretariat on the TPMP project had been communicated to the Government of Canada.

Proposal by the Secretariat

18. During the review of the Saint Kitts and Nevis TPMP project proposal, the Secretariat noted that:

- (a) ODS regulations have been in place since 2005, there are including an ODS import/export licensing system;
- (b) Additional training programmes for customs officers have yet to be conducted from the original RMP;
- (c) The majority of the activities proposed for implementation in the 2006 work plan of the TPMP (i.e., preliminary discussions on the establishment of a refrigeration association, initial discussions on criteria for the retrofit programme, initial discussions on designing an illegal trade prevention network), would not have any immediate impact on the phase-out of CFCs;
- (d) The current level of CFC used in Saint Kitts and Nevis is relatively low (3.3 ODP tonnes) and will continue to be reduced on an annual basis due to the natural attrition of CFC-based refrigeration systems. Also, the current price of CFC-12 is much lower than the price of HFC-134a, and it appears that there are no drop-in refrigerants in the country. Furthermore, the technical and economical viability of the proposed incentive programme for retrofitting CFC-based equipment, and the success of expanding the recovery and recycling programme, have not been demonstrated; and
- (e) As a requirement of decision 45/54, provision for the establishment of a monitoring and reporting unit (up to 20 per cent of the approved budget), has not been proposed in the TPMP.

19. Under the above circumstances, and taking into account the requirements of decision 41/100 on RMPs, the Secretariat suggested that UNDP and UNEP examine the merits of providing all necessary support (technical and financial) to the Government of Saint Kitts and Nevis, within the eligible level of funding of the TPMP proposal (US \$252,000), to address the issues noted by the Secretariat.

20. UNEP and UNDP considered the Secretariat's suggestion and adjusted sub-project components as follows:

- (a) Assistance to continue supporting implementation and enforcement of the import/export ODS licensing system (US \$42,000 for UNEP);
- (b) Training for refrigeration servicing technicians in good practices, a certification programme for the technician that has been trained, and the establishment of a refrigeration association (US \$57,000 for UNEP);
- (c) Technical assistance programme, based on a national needs assessment, and focusing on the introduction of drop-in replacement blends in the MAC, domestic, commercial and industrial refrigeration sub-sectors, provision of basic tooling

equipment to technicians, and an incentive programme to retrofit refrigeration systems where non-ODS blends are not viable (US \$108,000 for UNDP); and

- (d) Establishment of a project management, monitoring, evaluation and reporting unit to allow for the smooth implementation of the TPMP (US \$45,000 for UNEP).

Agreement

21. The Government of Saint Kitts and Nevis submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Saint Kitts and Nevis, which is annexed to this document.

RECOMMENDATIONS

22. The Executive Committee may wish to consider:

- (a) Approving, in principle, the terminal phase-out management plan for Saint Kitts and Nevis, at the amount of US \$252,000 plus agency support costs of US \$28,440 for UNDP and UNEP;
- (b) Approving the draft agreement between the Government of Saint Kitts and Nevis and the Executive Committee for the implementation of the national phase-out plan as contained in Annex I to this document; and
- (c) Approving the first tranche of the plan at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Terminal phase-out management plan (first tranche)	50,000	4,500	UNDP
(b)	Terminal phase-out management plan (first tranche)	40,000	5,200	UNEP

Annex I**DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF SAINT KITTS
AND NEVIS AND THE EXECUTIVE COMMITTEE FOR THE TERMINAL
PHASE-OUT MANAGEMENT PLAN**

1. This Agreement represents the understanding of the Government of Saint Kitts and Nevis (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to meet the annual consumption limits of the Substances in Annex A (Group I) of the Montreal Protocol as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) and this Agreement. 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 the Substances as described in the Terminal phase-out management plan (TPMP) document.
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 5 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
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 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of these Targets has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.
6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report

on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the funding was determined on the basis of estimates of the needs of the country to carry out its obligations under this agreement, 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 goals prescribed under this agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual programme.

8. Specific attention will be paid to the execution of the activities in the servicing 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 technical assistance programme would be implemented in stages so that resources can be diverted to other activities such as, additional training or procurement of service tools, in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

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 (the "Lead IA") has agreed to be the lead implementing agency and UNDP (the "Cooperating IA") has agreed to be cooperating implementing agency under the lead of the Lead IA in respect of the Country's activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programs of the Multilateral Fund. The Cooperating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 9 and 10 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances in Annex A (Group I) of the Montreal Protocol 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 instalment of Funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The Funding components 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.

12. 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.

13. All of the agreements 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 Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-11, CFC-12, CFC-115
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Appendix 2-A: The Targets, and Funding

	2006	2007	2008	2009	2010	Total
1. Montreal Protocol consumption limits of Annex A, Group I substances (ODP tonnes)	1.85	0.56	0.56	0.56	0	
2. Max allowable total consumption of Annex A Group I substances (ODP tonnes)	1.85	0.56	0.56	0.56	0	
3. Lead IA (UNEP) agreed funding (US \$)	40,000	60,000	30,000	14,000	0	144,000
4. Cooperating IA (UNDP) agreed funding (US \$)	50,000	45,000	10,000	3,000	0	108,000
5. Total agreed funding (US \$)	90,000	105,000	40,000	17,000	0	252,000
6. Lead IA (UNEP) support costs (US \$)	5,200	7,800	3,900	1,820	0	18,720
7. Cooperating IA (UNEP) support cost(US \$)	4,500	4,050	900	270	0	9,720
8. Total agency support costs (US \$)	9,700	11,850	4,800	2,090	0	28,440
9. Total agreed costs (US \$)	99,700	116,850	44,800	19,090	0	280,440

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding other than payments in 2006, will be considered for approval at the first meeting of the year of the annual implementation programme.

APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

- 1. Data
 - Country _____
 - Year of plan _____
 - # of years completed _____
 - # of years remaining under the plan _____
 - Target ODS consumption of the preceding year _____
 - Target ODS consumption of the year of plan _____
 - Level of funding requested _____
 - Lead implementing agency _____
 - Co-operating agency(ies) _____

2. Targets

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. Industry Action

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1)-(2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Total						
Servicing						
Refrigeration						
Total						
Grand total						

4. Technical Assistance

Proposed Activity: _____
 Objective: _____
 Target Group: _____
 Impact: _____

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Type of policy control on ODS import: servicing, etc	
Public awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
Total	

7. Administrative Fees

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. All the monitoring activities will be coordinated and managed through the project "Monitoring and Management Unit", which is included within this TPMP.

2. The Lead IA will have a particularly prominent role in the monitoring arrangements because of its mandate to monitor ODS imports, whose records will be used as a crosschecking reference in all the monitoring programmes for the different projects within the TPMP. This organization, along with the cooperating IA will also undertake the challenging task of monitoring illegal ODS imports and exports with advisements made to the appropriate national agencies through the National Ozone Office.

Verification and reporting

3. Under this component there are two independent types of verification as follows:

- (a) In accordance to decision 45/54, the Executive Committee reserves the right for independent verification in case the Executive Committee selects Saint Kitts and Nevis for related auditing; and
- (b) Verification for monitoring and in accordance to the TPMP and the TPMP Annual Implementation Programme objectives. The outcome of the different elements of the TPMP and of the monitoring activities will be verified independently by an external organization. The Government, Lead Agency and the independent organization will jointly design the verification procedures.

Institution for conducting the verification

4. Based on the discussion with the Lead IA, the Government of Saint Kitts and Nevis should select the independent organization (auditing) to carry out the verification of the TPMP results and the monitoring programme as per paragraph 5 (b) above.

Frequency of verification and reporting

5. The monitoring reports will be produced and verified each year, previous to the first meeting of the Executive Committee. These reports will produce the input for the yearly implementation reports required by the Executive Committee.

APPENDIX 6-A: ROLE OF THE LEAD IA

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

- (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 phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme. For this undertaking, separate funding will be provided by the Executive committee to the Lead Agency;
- (e) Assist the country in Preparation of the Annual Implementation Programme;
- (f) Ensure that the achievements in previous Annual Implementation Programmes are reflected in the future Annual Implementation Programme;
- (g) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing for Annual Implementation Programme for the year of submission for submission to the Executive Committee, commencing with the 2007 Annual Implementation Programme combined with the Report on the 2006 Annual Implementation Programme;
- (h) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the lead Implementing Agency;
- (i) Carrying out required supervision missions;
- (j) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (k) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
- (l) Coordinating the activities of the Coordinating IA;

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

APPENDIX 6-B: ROLE OF COOPERATING IA

1. The Cooperating IA will:

- (a) Provide policy development assistance when required;
- (b) Assist the Government of Saint Kitts and Nevis in the implementation and verification of the activities funded for by the Cooperating IA; and
- (c) Provide reports to the Lead IA on these activities, for inclusion in the consolidated reports.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$15,000 per ODP tonne of reductions in consumption not achieved in the year.
