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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-sixth Meeting
Doha, 8-12 November 2008

PROJECT PROPOSAL: NICARAGUA

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

Phase-out

- Terminal phase-out management plan for Annex A Group I substances (first tranche) UNDP and UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Nicaragua

(I) PROJECT TITLE	AGENCY
CFC phase out plan	UNDP, UNEP

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2007
CFC: 3.7	CTC: 0	Halons: 0	MB: 0	TCA: 0

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)											Year: 2007		
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Serviceing					QPS	Non QPS		
CFC					3.7								3.7
CTC													0
Halons													0
Methyl Bromide										3.7			3.7
TCA													0

(IV) PROJECT DATA				2008	2009	2010	Total
Montreal Protocol Consumption Limits		CFC		12.4	12.4		
Maximum Allowable Consumption (ODP Tonnes)		CFC		3.7	2.		
Project Costs (US\$)	UNEP	Project Costs		130,000.	70,000.		200,000.
		Support Costs		16,900.	9,100.		26,000.
	UNDP	Project Costs		320,000.			320,000.
		Support Costs		24,000.			24,000.
Total Funds Requested for Current Year (US\$)		Project Costs		450,000.			450,000.
		Support Costs		40,900.			40,900.

(V) SECRETARIAT'S RECOMMENDATION:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Nicaragua, UNEP, as the lead implementing agency, has submitted a terminal CFC phase-out management plan (TPMP) for consideration by the Executive Committee at its 56th Meeting. The project will also be implemented with assistance from UNDP. The total cost of the Nicaragua TPMP is US \$520,000 (US \$200,000 plus agency support costs of US \$26,000 for UNEP, and US \$320,000 plus agency support costs of US \$24,000 for UNDP). The CFC baseline for compliance is 82.8 ODP tonnes.

Background

2. In regard to the phase-out of CFCs in the refrigeration servicing sector, the Executive Committee, at its 25th Meeting allocated US \$225,430 to the Government of Finland for implementation of a refrigerant management plan (RMP), with emphasis on the design of policies and regulations. An additional US \$170,000 was approved at the 45th Meeting for UNDP and UNEP for the RMP update. Implementation of the activities in the refrigeration servicing sector resulted in the training and certification of 200 refrigeration service technicians in good servicing practices and, by end of October 2008, an additional 100 technicians will have received training. It also led to the procurement of equipment and service tools for service technicians.

Policy and legislation

3. Nicaragua has legislation in place to implement the Montreal Protocol, control ODS and administrate the registration of ODS-importing enterprises. This includes an ODS licensing system that has been in operation since 2000.

Refrigeration servicing sector

4. CFC consumption has been reduced from 54.9 ODP tonnes in 2002 to 27.6 ODP tonnes in 2006 and 3.7 ODP tonnes in 2007. Despite this low level of CFC consumption, there is a relatively large number of CFC-based equipment still in operation in hospitals, food and fishing industries, hotels and restaurants and other commercial applications. There are approximately 2,000 refrigeration technicians in the country working in 600 service workshops; 50 per cent of the technicians have received training in good servicing practices. The current average prices of refrigerants per kg are: US \$7.94 for CFC-11, US \$6.82 for CFC-12, US \$5.65 for HFC-134a, US \$9.85 for HCFC-22, and US \$8.90 for R-404a.

Activities proposed in the TPMP

5. The sub-projects contained in the TPMP for Nicaragua include additional technical assistance for certification of refrigeration technicians; incentive programmes for the conversion of key CFC-based refrigeration systems, the adoption of good practices and the introduction of drop-in alternatives; a technical assistance programme for improved control of ODS; and implementation, monitoring and controls. The Government of Nicaragua plans the complete phase-out of CFCs by 1 January 2010. A detailed work plan for 2008 has been submitted with the TPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

6. In 2007, the CFC consumption reported by the Government of Nicaragua under Article 7 of the Protocol of 3.7 ODP tonnes was already 8.7 ODP tonnes below the Montreal Protocol's maximum allowable level of consumption of 12.4 ODP tonnes for that year.

7. The Secretariat raised technical issues related to: the current levels of CFC consumption by type of equipment, and the usefulness and sustainability of the extended technical assistance for certification of refrigeration technicians, given the widespread lack of formal training. The limited time frame available before the 1 January 2010 phase-out date to implement activities such as the development of an inventory of CFC-based equipment to be retrofitted/replaced was also raised, as well as the implementation of a cost/benefit analysis to determine the best option for each refrigeration system to be converted, the bidding and purchasing of parts needed for the conversion, and the programme for the introduction of drop-in refrigerants. All these issues have accordingly been addressed by the implementing agencies and incorporated in the final project proposal, as follows.

- (a) The certification of refrigeration technicians has been redesigned to incorporate a permanent module into the training curriculum of technical training schools, a training programme for technicians with formal training, and a training programme specifically for technicians with no formal training.
- (b) The incentive programme for end-users project will pilot conversions in key end-user sectors (i.e., hospitals, food and fishing industries), provide technical assistance to other users in the commercial and industrial refrigeration sectors to retrofit or convert their equipment, and will facilitate the use of good practices in refrigeration and the correct choice and use of drop-in refrigerants as alternatives to CFCs;
- (c) Through the technical assistance programme for improved control of ODS; the control of ODS import/export will be enhanced, cooperation with Ozone Offices in neighbouring countries will be promoted, and HCFCs will be incorporated into the ODS import quota system.

Agreement

8. The Government of Nicaragua submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Nicaragua, which is contained in the annex to the present document.

RECOMMENDATION

9. The Secretariat recommends blanket approval of the terminal phase-out management plan for Nicaragua. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Nicaragua, at the amount of US \$520,000 (US \$200,000 for UNEP and US \$320,000 for UNDP) plus agency support costs of US \$50,000 (US \$26,000 for UNEP and US \$24,000 for UNDP);
- (b) Approve the draft agreement between the Government of Nicaragua and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to this document;
- (c) Urge UNEP and UNDP to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the terminal phase-out management plan; and
- (d) Approve 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)	130,000	16,900	UNEP
(b)	Terminal phase-out management plan (first tranche)	320,000	24,000	UNDP

Annex I

**DRAFT AGREEMENT BETWEEN NICARAGUA AND THE EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE PHASE-OUT OF OZONE-DEPLETING
SUBSTANCES**

1. This Agreement represents the understanding of the Government of Nicaragua (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 as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) in 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.
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 6 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 (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances 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 sub-paragraph 5(b) 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 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 the applicable year;
 - (b) That the meeting of these Targets will be independently verified, if requested by the Executive Committee consistent with paragraph (d) of decision 45/54;
 - (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 “Format of Annual Implementation Programme”) in respect of the year for which tranche 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 Institutions and Roles”) 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 sub-paragraph 5(b).
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 implementation programme.

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;
- (b) The technical assistance programme for the refrigeration-servicing sub-sector will be implemented in stages so that remaining resources can be diverted to other phase-out 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; and
- (c) The Country and the implementing agencies 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 fulfill the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the "Lead IA") and UNDP has agreed to be cooperating implementing agency (the "Cooperating IA") 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 as per sub-paragraph 5(b). The Country also agrees to periodic evaluations, which might be carried out under the monitoring and evaluation work programmes 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 7 and 8 respectively of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 2-A 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 tranche 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 (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.

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	CFC12
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APPENDIX 2-A: THE TARGETS, AND FUNDING

		2008	2009	2010	Total
1	Montreal Protocol reduction schedule of Annex A, Group I substances (ODP tonnes)	12.4	12.4	0.0	
2	Max. allowable total consumption of Annex A, Group I substances (ODP tonnes)	3.7	2	0.0	
3	New reduction under plan (ODP tonnes)	1.7	2.0	0.0	3.7
4	Lead IA agreed funding (US \$)	130,000	70,000		200,000
5	Cooperating IA agreed funding (US \$)	320,000			320,000
6	Total agreed funding (US \$)	450,000	70,000		520,000
7	Lead IA support costs (US \$)	16,900	9,100		26,000
8	Cooperating IA support costs (US \$)	24,000			24,000
9	Total agreed support costs (US \$)	40,900	9,100		50,000
10	Grand total agreed funding (US \$)	490,900	79,100		570,000

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Following approval of the first tranche in 2008, funding for the second tranche will be considered for approval not later than the second meeting of 2009.

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	_____
Cooperating 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						
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

8. All the monitoring activities will be coordinated and managed through the project "monitoring and management unit", within the National Ozone Unit (NOU).

9. 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 terminal phase-out plan (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 Unit (NOU).

Verification and reporting

10. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Nicaragua for related auditing. Based on discussion with the Lead IA, Nicaragua should select the independent organization (auditing) to carry out the verification of the TPMP results and this independent monitoring programme.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

11. The Lead IA will be responsible for a range of activities to be 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 Nicaragua's phase-out plan;
- (b) Assisting Nicaragua in preparation of the Annual Implementation Programme;
- (c) 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 consistent with Appendix 5-A. In case the Executive Committee selects Nicaragua consistent with paragraph (d) of decision 45/54, separate funding will be provided by the Executive Committee to the Lead IA for this undertaking;
- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future annual implementation programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of 2008 and preparing for annual implementation programme for 2009 for submission to the Executive Committee.
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets, if requested by the Executive Committee;
- (j) Coordinating the activities of the Cooperating IA;

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

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY

12. The Cooperating IA will:

- (a) Provide policy development assistance when required;
- (b) Assist Nicaragua in the implementation and assessment 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

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

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