PROJECT PROPOSAL: NEPAL

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

Phase-out

- HCFC phase-out management plan (first tranche)  


Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.
## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

### Nepal

#### (I) PROJECT TITLE

- **HCFC phase out plan (Stage I)**

#### AGENCY

- UNDP, UNEP (lead)

#### (II) LATEST ARTICLE 7 DATA

- **Year:** 2010
- 1.10 (ODP tonnes)

#### (III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)

- **Year:** 2010

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<th>Chemical</th>
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<th>Foam</th>
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#### (IV) CONSUMPTION DATA (ODP tonnes)

- **2009 - 2010 baseline:** 1.10
- **Starting point for sustained aggregate reductions:** 1.27

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#### (V) BUSINESS PLAN

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#### (VI) PROJECT DATA

- **Montreal Protocol consumption limits (estimate):** n/a
- **Maximum allowable consumption (ODP tonnes):** n/a

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#### (VII) Request for funding for the first tranche (2011)

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<tr>
<td>UNDP</td>
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**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 the Nepal, UNEP has submitted a request for the first tranche of the HCFC phase-out management plan (HPMP) for consideration by the Executive Committee at its 65th Meeting in line with decision 62/53. The total amount requested is US $105,000 plus agency support costs of US $8,190 for UNEP and US $3,780 for UNDP.

Background

2. The HPMP for the Nepal was approved in principle at the 62nd Meeting of the Executive Committee. The objective of the HPMP stage I is to reduce the consumption of the HCFCs in the country by 35 per cent as compared to the baseline by the year 2020. The HPMP covers activities related to the refrigeration and air-conditioning (RAC) service sector and includes legislation, enforcement, training and technical assistance.

3. At the 62nd Meeting, in considering the HPMP submitted by Nepal, the Executive Committee noted that it had not yet ratified the Copenhagen Amendment to the Montreal Protocol, which is a prerequisite for receiving funding for the implementation of HCFC phase-out activities in line with decision 53/37. Taking into account that the country had not yet met this important prerequisite, the Executive Committee decided in decision 62/53:

   (a) To approve in principle, stage I of the HCFC phase-out management plan (HPMP) for Nepal for the period 2010-2020, at the amount of US $234,030, comprising of US $126,000, and agency support costs of US $16,380 for UNEP and US $84,000 and agency support costs of US $7,560 for UNDP, on the understanding that by the time of the Twenty-third Meeting of the Parties Nepal would have:

   (i) Officially deposited its instrument of ratification of the Copenhagen Amendment to the Montreal Protocol with the United Nations Treaty Depository Office in New York;

   or

   (ii) submitted an official request to the Twenty-third Meeting of the Parties to be considered under Article 4, paragraphs 8 and 9 of the Montreal Protocol, which inter alia allows a State not Party to an amendment nevertheless to be found by the Meeting of the Parties to be in full compliance with the control provisions of the Montreal Protocol, thereby obviating the trade sanctions that might otherwise apply;

   (b) That if one of the conditions in subparagraphs (i) and (ii) above had been met, the Government of Nepal would submit a request to the Executive Committee for the first tranche of the HPMP and present the corresponding Agreement between the Government of Nepal and the Executive Committee; and

   (c) To note that the Government of Nepal had agreed at the 62nd meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the official consumption ceiling set by the country of 1.27 ODP tonnes, and not based on 2009 or 2010 estimated consumption.

4. UNEP as lead agency for the HPMP implementation of Nepal submitted a request for approval of the first tranche in consideration of sub-paragraph (a)(ii) in decision 62/53 above, where it had indicated that Nepal had already made an official request to the Ozone Secretariat for consideration of the
Twenty-third Meeting of the Parties (MOP) in line with this decision. This issue was reviewed by the 31st Open-ended working group (OEWG) Meeting of the Parties to the Montreal Protocol held in August 2011 in Montreal.

Plan for the first tranche

5. UNEP and UNDP submitted an annual plan of action for activities that will be held during the first year. These include activities in legislation, training of technicians, awareness raising, and monitoring.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

6. The Secretariat reminded UNEP that the request for the first tranche for the HPMP of Nepal was made in advance of a decision by the Twenty-third MOP on the status of Nepal relative to the Copenhagen Amendment which will be considered in November 2011. It also questioned the progress of the internal ratification process in line with Nepal’s commitment in writing that this would be completed in September 2011. It noted that the implementation plan for 2012 foresees the activities as planned in the original submission of the HPMP approved in principle at the 62nd Meeting. Further, it drew UNEP’s attention to the report of the 31st OEWG meeting, on the specific section related to this issue where views were expressed by some Parties regarding this request, in particular paragraphs 159 and 160 quoted below:

“159. One representative said that there could be little expectation of completion of the Nepal’s ratification procedure, suggesting that the option described in paragraph 136 (a) (ii) of Executive Committee decision 62/53 was the only viable option. Another representative, however, said that there was no provision for declaring a State to be a de facto party and that Article 10 of the Protocol, which governed financial and technical assistance to parties, did not contemplate the provision of such assistance to non-parties.

160. The Working Group agreed that discussion of the issue should be continued by the Twenty-Third Meeting of the Parties, following its consideration by the Implementation Committee.”

7. In responding to the queries from the Secretariat, UNEP indicated that it was aware that a decision is yet to be taken on Nepal’s status. It noted, however, that as the MOP is scheduled in November 2011 after the 65th Executive Committee meeting, the request is timely as one of the conditions in decision 62/53, i.e. to make an official request to the Parties had been met. Should there be a final decision by the MOP on the issue then Nepal could immediately start implementation of the HPMP and would not have to wait until the first meeting of the Executive Committee in 2012 for approval. UNEP reiterated that submitting the request for consideration of the first meeting in 2012 would cause unnecessary delays in the implementation of the activities scheduled in the HPMP and noted that 2013 would be the year of the freeze in HCFC consumption which may not leave the country with time to implement activities to meet compliance. It also indicated that the situation in Nepal with regard to its internal politics has remained the same and that the ratification process was proceeding albeit slowly.

8. Following a discussion, the Secretariat informed UNEP that while it recognises the urgency and the timing of the request for the first tranche of the HPMP, it can only recommend a conditional approval subject to a decision of the MOP on the status of Nepal in respect to the Copenhagen Amendment. In the event that the MOP does not take a decision on this issue, the status quo would remain and the tranche request and agreement would have to be re-submitted once the country officially submits its instruments of ratification to the UN Depository in New York.
9. The Secretariat also reviewed the annual plan of action presented by UNEP for 2012, and the draft Agreement submitted along with the request for the first tranche.

RECOMMENDATION

10. The Executive Committee may wish to consider:

(a) Approving the first tranche of stage I of the HCFC phase-out management plan (HPMP) for Nepal, and the corresponding implementation plan, at the amount of US $116,970, consisting of US $63,000 and agency support costs of US $8,190 for UNEP, and US $42,000 and agency support costs of US $3,780 for UNDP, on the condition that disbursements will be made only after a decision is taken at the Twenty-third Meeting of the Parties to the Montreal Protocol considering Nepal’s status with regard to the Copenhagen Amendment;

(b) Deducting 0.55 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption;

(c) Approving the draft Agreement between the Government of Nepal and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document, in line with paragraph (a) and (b) above;

(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;

Or:

(a)bis Requesting UNEP, in the event that the Twenty-third Meeting of the Parties does not take a decision on Nepal’s status relative to the Copenhagen Amendment and noting that decision 62/53 continues to apply, to re-submit the request for the first tranche of stage I of the HPMP of US $116,970, consisting of US $63,000 plus agency support costs of US $8,190 for UNEP and US $42,000 plus agency support costs of US $3,780 for UNDP and the draft Agreement, only after the country has submitted its instruments of ratification for the Copenhagen Amendment to the United Nations Treaty Depository Office in New York.
ANNEX I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF NEPAL 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 Nepal (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 0.72 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 that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in rows 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 to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).

4. The Country agrees to implement this Agreement in accordance with the HCFC phase-out sector plans submitted. In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

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 eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

   (a) That the Country had met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which 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 are exempted;

   (b) That the meeting of these Targets has been independently verified, unless 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 an annual implementation plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen; 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 either in an annual implementation plan submitted as foreseen in sub-paragraph 5(d) above, or as a revision to an existing annual implementation plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:

(i) Issues potentially concerning the rules and policies of the Multilateral Fund;

(ii) Changes which would modify any clause of this Agreement;

(iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and

(iv) 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 last approved 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 subsequent annual implementation report; and

(c) Any remaining funds will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

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. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNDP 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 ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). 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 (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once 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 the information necessary to verify compliance with this Agreement.

14. The completion of stage I 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 level has been specified in Appendix 2-A. Should there at that time still be activities that are outstanding, and 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 will continue until the time of the completion unless otherwise specified by the Executive Committee.

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

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<th>Annex</th>
<th>Group</th>
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APPENDIX 2-A: THE TARGETS, AND FUNDING

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<td>Total agreed funding (US$)</td>
<td>105,000</td>
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<td>84,000</td>
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<td>21,000</td>
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<td>3.2</td>
<td>Total support costs (US$)</td>
<td>11,970</td>
<td></td>
<td>9,576</td>
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<td>23,940</td>
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<tr>
<td>3.3</td>
<td>Total agreed costs (US$)</td>
<td>116,970</td>
<td></td>
<td>93,576</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>233,940</td>
</tr>
<tr>
<td>4.1.1</td>
<td>Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)</td>
<td></td>
<td></td>
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<tr>
<td>4.1.2</td>
<td>Phase-out of HCFC-22 to be achieved through previously approved projects (ODP tonnes)</td>
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</tr>
<tr>
<td>4.1.3</td>
<td>Remaining eligible consumption of HCFC-22 (ODP tonnes)</td>
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APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the last 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, with data provided by calendar year, regarding the progress since the year prior to the previous report, reflecting the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include ODS phase-out as a direct result from the implementation of activities, by substance, and the alternative technology used and the
related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Annual Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information on 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 and including the year of the planned submission of the next tranche request, highlighting the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan that are foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;

(d) A set of quantitative information for all annual implementation reports and annual implementation plans, submitted through an online database. 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), the annual implementation plan and any changes to the overall plan, and will cover the same time periods and activities; and

(e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The NOU will submit annual progress reports of status of implementation of the HPMP to UNEP.

2. Monitoring of development of HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to independent local company or to independent local consultants by UNEP.
APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:

   (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country’s HPMP;

   (b) Assisting the Country in preparation of the Implementation Plans and subsequent reports as per Appendix 4-A;

   (c) Providing independent 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 entity to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.
APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the overall plan, including at least the following:

   (a) Providing assistance for policy development 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 co-ordinated 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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