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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-seventh Meeting  
Bangkok, 16-20 July 2012

**PROJECT PROPOSAL: SOMALIA**

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

Phase-out

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

UNIDO

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

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase out plan (Stage I)	UNIDO (lead)

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2010	45.3 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2011</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b		23.2							23.2
HCFC-142b									
HCFC-22					22.0				22.0

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline (estimate):	45.1	Starting point for sustained aggregate reductions:	6.97
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.0	Remaining:	6.97

<b>(V) BUSINESS PLAN</b>		2011	2012	2013	2014	Total
UNEP	ODS phase-out (ODP tonnes)		0.6		0.6	1.1
	Funding (US \$)	0	51,311	0	51,311	102,623
UNIDO	ODS phase-out (ODP tonnes)		2.5		0.3	2.8
	Funding (US \$)	0	104,401	0	12,429	116,830

<b>(VI) PROJECT DATA</b>			2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits (estimate)			n/a	45.08	45.08	40.57	40.57	40.57	40.57	40.57	29.30	
Maximum allowable consumption (ODP tonnes)			n/a	5.29	5.29	4.76	4.76	4.76	4.76	4.76	3.44	
Project costs requested in principle (US \$)	UNIDO	Project costs	133,500	0	0	0	141,500	0	0	0	40,000	315,000
		Support costs	10,013	0	0	0	10,613	0	0	0	3,000	23,625
Total project costs requested in principle (US \$)			133,500	0	0	0	141,500	0	0	0	40,000	315,000
Total support costs requested in principle (US \$)			10,013	0	0	0	10,613	0	0	0	3,000	23,625
Total funds requested in principle (US \$)			143,513	0	0	0	152,113	0	0	0	43,000	338,625

<b>(VII) Request for funding for the first tranche (2012)</b>		
Agency	Funds requested (US \$)	Support costs (US \$)
UNIDO	133,500	10,013

<b>Funding request:</b>	Approval of funding for the first tranche (2012) as indicated above
<b>Secretariat's recommendation:</b>	For individual consideration

## PROJECT DESCRIPTION

1. On behalf of the Government of Somalia, UNIDO, as the lead implementing agency, has submitted to the 67<sup>th</sup> meeting of the Executive Committee stage I of an HCFC phase-out management plan (HPMP) at a total cost of US \$1,244,898 plus support costs of US \$93,367 for UNIDO as originally submitted. The HPMP covers strategies and activities to achieve a 35 per cent reduction in HCFC consumption by 2020.
2. The first tranche for stage I being requested at the present meeting amounts to US \$442,349 plus agency support costs of US \$33,176 for UNIDO as originally submitted.

### Background

3. Somalia is located in the horn of Africa and bordered by Djibouti to the northwest, Ethiopia to the west, and Kenya to the southwest. The Gulf of Aden with Yemen is to the north and the Indian Ocean is to the east. It has the longest coastline (3,025 km) in the African continent. The country covers a land area of 637,540 square km. Somalia's population was estimated at 10.09 million inhabitants in 2012. The climate is arid or semi-arid with an average temperature of 27°C.

### ODS policy and regulatory framework

4. The Ministry of Fisheries, Marine Resources and Environment is the lead agency responsible for co-ordination and implementation of the Montreal Protocol. The National Ozone Unit (NOU) was established under the Ministry to carry out activities related to the Montreal Protocol at the operational level. Despite weak institutional capacity, Somalia has ratified all of the amendments to the Montreal Protocol. A national steering committee was established to assist in the formulation of strategy and overall co-ordination of the programme. The Ozone regulations were adopted in 2009 and amended in 2011 to include control measures for HCFCs. The regulations aim at controlling the imports and exports of ODS (including HCFCs) through a licensing and quota system. However, most customs officers, refrigeration technicians and law enforcement institutions are not aware of these regulations since training and public awareness activities have not been conducted so far.

### HCFC consumption

5. The survey results showed that all HCFCs are imported. HCFC-22 is the only HCFC consumed in the refrigeration and air-conditioning (RAC) servicing sector. Somalia does not consume HCFC-141b in pure form but imports HCFC-141b contained in pre-blended polyols, which has been reported as consumption under Article 7 and therefore was included in the baseline. The HCFC consumption data is presented in Table 1 below.

Table 1: HCFC level of consumption

Year	HCFC-22		HCFC-141b*		Total	
	MT	ODP t	MT	ODP t	MT	ODP t
Article 7 data						
2005	35.62	1.96	0.00	0.00	35.62	2.0
2006	48.27	2.65	0.00	0.00	48.27	2.7
2007	33.79	1.86	0.00	0.00	33.79	1.9
2008	151.50	8.33	0.00	0.00	151.50	8.3
2009	396.00	21.78	210.00	23.10	606.00	44.9
2010	400.50	22.03	211.30	23.24	611.80	45.3

Year	HCFC-22		HCFC-141b*		Total	
	MT	ODP t	MT	ODP t	MT	ODP t
Survey data						
2005	284.25	15.63	147.86	16.26	432.11	31.89
2006	304.66	16.76	161.21	17.73	465.87	34.49
2007	332.24	18.27	173.90	19.13	506.14	37.40
2008	359.57	19.78	190.05	20.91	549.62	40.69
2009	396.00	21.78	210.00	23.10	606.00	44.88
2010	400.50	22.03	211.30	23.24	611.80	45.27

\* HCFC-141b contained in the imported pre-blended polyols.

6. The non-HCFC refrigerants identified during the HPMP survey include HFC-134a, HFC-410A and HFC-407C, in total accounting for approximately 31 per cent of refrigerant use. HCFC-22 is the least expensive refrigerant available in Somalia. Hydrocarbon use is not evident.

7. The HCFC consumption data obtained from the survey is significantly higher than that reported under Article 7 of the Montreal Protocol for the years before 2008. The HPMP explained that consumption data previously reported under Article 7 was based on estimated amounts as the situation in Somalia makes the accurate collection of data extremely difficult. The data in the HPMP has been reviewed by stakeholders and represents the best available data. The growth of HCFC-22 consumption is due to the new construction of modern buildings, hotels and supermarkets, which require refrigeration and air-conditioning (AC) equipment. In addition, the phase-out of CFCs has resulted in more use of HCFC-based equipment due to its availability and affordability.

8. Based on the trends in economic development in Somalia, the HCFC-22 consumption in the RAC servicing sector is expected to grow 2 to 3 per cent annually under the unconstrained growth scenario from 2011 to 2020. Table 2 presents the forecast of HCFC-22 consumption up to 2020.

Table 2: Forecast consumption of HCFC-22

Consumption		2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Unconstrained	MT	400.50	410.50	420.80	431.30	442.10	453.10	464.50	476.10	488.00	500.20	512.70
	ODP t	22.03	22.58	23.14	23.72	24.32	24.92	25.55	26.19	26.84	27.51	28.20
Constrained	MT	400.50	410.50	420.80	398.25	398.25	358.43	358.43	358.43	358.43	358.43	258.86
	ODP t	22.03	22.58	23.14	21.90	21.90	19.71	19.71	19.71	19.71	19.71	14.24

\*reported Article 7 data

### Sector distribution of HCFCs

9. The total number of RAC equipment using HCFC-22 installed in domestic, commercial and industrial sector is estimated at 855,900 units. Based on the average refrigerant charge and leakage rates, the service demand was estimated at 398.52 metric tonnes (mt) (21.92 ODP tonnes) as shown in Table 3.

Table 3: Consumption distribution in RAC servicing sector in 2010

Sector	Number of equipment	Total refrigerant installation		Servicing demand	
	Unit	MT	ODP t	MT	ODP t
Domestic(refrigerators, ACs, freezers, water coolers)	688,800	826.56	45.46	103.98	5.72
Industrial/commercial (cold rooms, central ACs, ice making plants)	144,300	865.80	47.62	261.04	14.36
Transport refrigeration/air-conditioning (refrigerated trucks and vehicle ACs)	22,800	152.00	8.36	33.50	1.84
Total	855,900	1,844.36	101.44	398.52	21.92

10. All of the HCFC-141b consumed in Somalia is contained in the imported (mainly from China) pre-blended polyols which are used for the manufacture of fibreglass boats, spray foam and panels for buildings and cold stores, and in the insulation of pipes and appliances. Eight enterprises have been identified with levels of yearly consumption ranging from 10 to 29 mt of HCFC-141b. The HPMP also indicates that an unknown number of small enterprises are consuming HCFC-141b contained in pre-blended polyols. The total consumption of HCFC-141b contained in imported pre-blended polyols amounts to 211 mt in 2010.

#### Calculation of consumption baseline

11. The HCFC consumption baseline for compliance was calculated by Somalia at 608.90 mt (45.1 ODP tonnes) using the average of 2009 consumption of 606.00 mt (44.9 ODP tonnes) and 2010 consumption of 611.80 mt (45.3 ODP tonnes) reported under Article 7 of the Montreal Protocol.

#### HCFC phase-out strategy

12. The Government of Somalia is proposing to follow the Montreal Protocol phase-out schedule and adopt a staged approach to completely phase out HCFCs by 2030 with a service tail to 2040. The current submission contains only stage I of the HPMP to achieve the 35 per cent reduction in HCFC consumption by 2020.

13. Considering the extended period of political unrest in the country, which has resulted in a significantly weakened regulatory and technical infrastructure, stage I of the HPMP will focus on strengthening the regulatory regime, establishing basic infrastructure, and providing capacity-building for key stakeholders, customs officers and servicing technicians. The activities proposed for stage I include establishing industrial standards and promoting ODS regulations to support the enforcement of rules. The training of customs officers and law enforcement personnel will build their capacity to enable accurate data collection and HCFC import control. Training of technicians will assist in improving servicing practice and reducing the leakage and emission of HCFCs. Stage I of the HPMP will also address the phase-out of HCFC-141b contained in imported pre-blended polyols in the foam sector. The detailed activities, cost breakdown and implementation schedule are shown in Table 4. The implementation of stage I of the HPMP for Somalia will result in the phase-out of 213.12 mt (15.78 ODP tonnes) of HCFCs.

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

Activities	Funding Tranche (US \$)			Total
	2012	2014	2017	
Policy and legal assistance (developing computer-based system for managing licensing and quotas; introducing standards and ban on import of HCFC equipment and polyols; labelling containers, registration of technicians)	37,500	37,500		75,000
Training of technicians on good servicing practice, refrigerant recovery, reuse and reclamation, provision of servicing tools	96,199	96,199	96,200	288,598
Provision of equipment for four refrigerant recovery, reuse and reclamation centres		110,000	110,000	220,000
Phase out of HCFC-141b contained in the imported pre-blended polyols	144,650	144,650		289,300
Training of customs officers, provision of refrigerant identifiers, public awareness on regulations and alternative technologies	120,000	120,000		240,000
Monitoring, coordination and reporting	44,000	44,000	44,000	132,000
Total	442,349	552,349	250,200	1,244,898

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

14. The Secretariat reviewed the HPMP for Somalia in the context of the guidelines for the preparation of HPMPs (decision 54/39); the criteria for funding HCFC phase-out in the consumption sector agreed at the 60<sup>th</sup> meeting (decision 60/44); subsequent decisions on HPMPs; and the 2012-2014 business plan of the Multilateral Fund. The Secretariat discussed technical and cost-related issues with UNIDO, which were satisfactorily addressed as summarized below.

#### Meeting of the Parties decisions on Somalia

15. The Secretariat noted that Somalia had been in non-compliance due to the lack of a licencing system for ODS import and export (decision XIX/26). It was also in non-compliance due to exceeding the maximum allowable consumption levels for CFCs and halons (decision XX/19). A plan of action including commitments to phase out CFCs by 2010 was subsequently approved. The Meeting of the Parties requested the Executive Committee to consider innovative ways of assisting the Party through implementing a licencing system for ODS import control and by awareness-raising, institutional strengthening (IS) and technical assistance (decision XX/19). Somalia's licencing system was established and had taken effect as of October 2009. The country has been able to meet the consumption targets set in the Montreal Protocol since 2008. The HPMP survey also confirmed that Somalia did not import any CFCs in 2010.

#### Previously implemented programme

16. Although several attempts were made to assist Somalia in phasing out ODS, the country had not received any funding for the phase-out of CFCs due to the prevailing security situation. In response to decision XX/19 as mentioned above, the Executive Committee approved Somalia's country programme including an IS project at the 59<sup>th</sup> meeting to support the operation of NOU.

17. The Secretariat inquired about the status of implementation of the IS project which was due for extension in December 2011 but for which a request has not yet been submitted. UNEP (implementing agency for the IS project) advised that the IS project is progressing well. The NOU was able to collect consumption data and report to the Ozone Secretariat. The remaining funding balance of the IS project was US \$17,405 as of December 2011. A request for renewal of the IS project is being prepared by the NOU.

#### Overall context of the HPMP

18. The Secretariat reviewed the overall context for implementing an HPMP and noted that Somalia has been experiencing constant conflict since 1991. Despite the tremendous efforts from the United Nations and the international community, the progress to reach peace and national reconciliation in Somalia had been slow. The Transitional Federal Government of Somalia (TFG) has limited control over some areas of the central and south region due to an insurgency. The northern regions of the country, Somaliland and Puntland, are self-administered with little dependence on the central government. Based on this information, the Secretariat queried whether an enabling environment for effectively implementing an HPMP exists. UNIDO advised that, due to the political unrest and weakened regulatory and technical infrastructure, implementing an HPMP in Somalia will be challenging. However, the security situation in the country has been improving recently. With the support of the United Nations Political Office for Somalia (UNPOS), the TFG is in the process of forming a new parliament and adopting a provisional constitution. In addition, decision XX/19 of the Meeting of the Parties requested the Executive Committee to assist the country in meeting its obligations and remaining in compliance through implementing a licensing system for ODS import control and by awareness-raising, institutional strengthening and technical assistance. Therefore implementing an HPMP in Somalia will fulfil this purpose.

19. In responding to a question from the Secretariat, UNIDO clarified that the data collected during the preparation of the HPMP is from three regions covering the south and central region, Puntland and Somaliland. The HPMP will be implemented across the country. UNIDO further informed that an informal ozone network covering 18 sub-regions across the country was established by the NOU during the HCFC data collection process. It will be fully utilized for co-ordination, monitoring and reporting of HPMP activities. Once the security situation improves, an international consultant could be deployed to verify achievements.

20. UNIDO will work closely with the NOU to implement the project through a modality that suits the situation, which would include training the trainers outside Somalia, possibly in Djibouti. The subsequent training workshops for technicians will be organized by the trainers within the country. Once the security situation improves, train-the-trainer workshops could be conducted in Somalia. The implementation modality also includes careful management of funds disbursement which will be realized through direct payment by UNIDO to service providers based on invoices. Activities planned to be conducted within Somalia will be carefully assessed immediately before they commence in light of the situation prevailing in the country at that time. For such activities, UNIDO will break down expenditures into relatively small contracts and closely monitor progress. The agency has requested additional funding of US \$100,000, covering air tickets, travel allowance, expert fees and the cost of consumables for 18 trainers to be trained outside Somalia. The Secretariat advised UNIDO that the costs of experts and consumables should not be additional to the eligible funding. UNIDO subsequently reduced the security related cost to US \$85,374 to cover travel related cost only to be disbursed in two tranches in 2012 and 2016 respectively. Since the security situation in Somalia is likely to improve, at which time the training of trainers could be conducted within the country, it was agreed that US \$45,000 would be recommended for provisional approval pending an assessment of the security situation in Somalia in 2015. If these funds are no longer required, they will be removed from the planned funding for the second tranche. Any unused funds from this budget line will be returned to the Multilateral Fund.

Issues related to HCFC consumption

21. The Secretariat noted that the HCFC consumption provided from the survey is significantly higher than that reported under Article 7 for 2005 to 2008. The survey data reported for 2009 and 2010 in the HPMP is consistent with Article 7 reporting, yet significantly higher than that reported for 2008 under Article 7. Based on further review and analysis, it would seem that the survey data collected during the preparation of the HPMP were overestimated.

22. The Secretariat discussed the issue with UNIDO. After a thorough analysis and consultation with the country, it was agreed that, based on the estimated number of equipment installed in Somalia, the HCFC-22 consumption in the RAC servicing sector was estimated at 100.51 mt (5.53 ODP tonnes) for 2010 as shown in Table 5.

Table 5: Revised consumption distribution in the RAC servicing sector

Sector	Equipment number	Total installed HCFC-22		Servicing demand	
	Unit	MT	ODP t	MT	ODP t
Domestic (refrigerators, ACs, freezers, water coolers)	124,000	119.04	6.55	47.62	2.62
Industrial/commercial (cold rooms, central ACs, ice-making plants)	32,000	124.80	6.86	39.94	2.20
Transport (refrigerated trucks and vehicle ACs)	9,000	14.40	0.79	12.96	0.71
<b>Total</b>	<b>165,000</b>	<b>258.24</b>	<b>14.20</b>	<b>100.51</b>	<b>5.53</b>

23. The Secretariat further suggested that the nature of HCFC-141b consumption needs to be clarified to the Ozone Secretariat so that it can be excluded from the calculation of the baseline. Since the revised survey data more accurately reflects the consumption level in Somalia, after discussion with UNEP, it was agreed that the NOU, with the assistance of UNEP, would officially request the Ozone Secretariat to revise the HCFC consumption data for 2005 to 2010.

24. The Secretariat further queried the accuracy of the consumption data for HCFC-141b contained in imported pre-blended polyols. After a further review of the data, UNIDO clarified that the tonnage reported under Article 7 seems to be the quantity of the imported pre-blended polyols and not just the HCFC-141b contained in them. The consumption of HCFC-141b is therefore approximately only 8 to 10 per cent of the consumption reported under Article 7. Based on the data in Table 5 and the above clarification, the HCFC consumption for Somalia for 2005 to 2010 was estimated as shown in Table 6.

Table 6: Revised HCFC consumption

Year	HCFC-22		HCFC-141b*		Total	
	MT	ODP t	MT	ODP t	MT	ODP t
2005	65.91	3.63	11.83	1.30	77.74	4.93
2006	71.64	3.94	12.90	1.42	84.54	5.36
2007	77.87	4.28	13.91	1.53	91.78	5.81
2008	84.64	4.66	15.20	1.67	99.84	6.33
2009	92.00	5.06	16.80	1.85	108.80	6.91
2010	100.51	5.53	16.90	1.86	117.41	7.39

\*HCFC-141b contained in the imported pre-blended polyols



### Starting point for aggregate reduction in HCFC consumption

25. The Government of Somalia agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of the 2009 consumption of 92.00 mt (5.1 ODP tonnes) and the 2010 consumption of 100.51 mt (5.5 ODP tonnes) estimated based on the revised survey data, plus the average consumption of HCFC-141b contained in the pre-blended polyols from 2007 to 2009 of 15.30 mt (1.68 ODP tonnes), resulting in 111.56 mt (6.97 ODP tonnes). The baseline has been established at 608.90 mt (45.1 ODP tonnes). However, if the Parties to the Montreal Protocol approve the request for modification of the HCFC consumption previously reported for 2009 and 2010, the resulting baseline would be 96.26 mt (5.3 ODP tonnes). The Government had agreed to use the revised survey data that would be submitted to the Ozone Secretariat to calculate the starting point for the purposes of eligible funding for this project.

### Issues related to pre-blended polyols

26. The Secretariat noted that the use of HCFC-141b contained in imported pre-blended polyols was only reported as consumption in 2009 and 2010. Although eight enterprises have been identified in the foam sector, the establishment dates of these enterprises and the production from 2007 to 2009 in each enterprise are not known, therefore their eligibility for funding cannot be determined. UNIDO advised that the majority of equipment in use is 10 to 15 years old, therefore production capacity was established before the cut-off date (21 July 2007). However, more detailed information could not be obtained at this stage due to the security situation in Somalia. Considering that the foam sector lacks structure and consumption data is difficult to verify, UNIDO proposed a technical assistance component to be included in the stage I HPMP to raise awareness, provide technical knowledge and information on alternatives, conduct small scale trials and provide assistance to systems houses as required. If during the implementation of stage I HPMP, the consumption level is found to be much larger than that currently identified, the Government of Somalia could submit an investment project to phase out the consumption during the implementation of stage I HPMP.

27. The Secretariat advised UNIDO that 15.3 mt of HCFC-141b consumption estimated in the HPMP would be the eligible consumption for the foam sector. Given that the technical assistance project would need to be associated with a phase-out to be deducted from the starting point, any future investment project would be limited to the eligible tonnage remaining for HCFC-141b after this deduction. As a result of intensive discussions, it appears that deferring the foam sector plan might allow for a better understanding of the foam sector to be gained in Somalia and to facilitate the preparation of a more comprehensive submission covering the foam sector. After consultation with the country, it was agreed that an investment activity for phasing out the consumption of HCFC-141b contained in imported pre-blended polyols could be submitted during the implementation of stage I of the HPMP, as has been the case in a number of previous projects already approved by the Executive Committee.

### Technical and cost issues

28. The Secretariat inquired about the practicality of establishing an electronic system for managing HCFC licensing and quotas in Somalia. UNIDO explained that the telephone and internet system has been the most viable way for communications within Somalia since ground travel is dangerous and often disrupted by unexpected events. Establishing a web-based system for licensing and quotas will enable data entry in remote border posts and achieve instant information transfer and sharing. The Secretariat further raised issues related to the costs requested for policy and legislation as well as for monitoring and reporting, and suggested rationalizing the funding distribution among different components in the HPMP. These issues were satisfactorily addressed.

29. Based on the revised consumption data, the country is re-classified as a low-volume-consuming country (LVC), for which eligible funding is calculated in accordance with decision 60/44(f)(xii). The total cost for the implementation of stage I of the HPMP is estimated at US \$400,374, including an additional US \$85,374 for security-related cost, as shown in Table 7. The HPMP stage I would result in a reduction of 1.85 ODP tonnes of HCFC by 2020, representing 35 per cent of the HCFC baseline for compliance.

**Table 7: Revised level of funding of stage I of the HPMP**

Activities	Funding Tranche (US \$)			Total
	2012	2016	2020	
Policy and legal assistance (developing computer-based system for managing licensing and quota, introducing standards, ban on import of HCFC equipment and polyols, labelling, registration of technicians)	20,000	18,000	17,000	55,000
Training of technicians on good servicing practice, refrigerant recovery, reuse and reclamation, provision of servicing tools	24,000	24,000		48,000
Provision of equipment for four refrigerant recovery, reuse and Reclamation centres	37,500	37,500		75,000
Training of customs officers, provision of refrigerant identifiers, public awareness on regulations and alternative technologies	30,000	31,000	10,000	71,000
Monitoring, co-ordination and reporting	22,000	31,000	13,000	66,000
Sub-total cost of HPMP	133,500	141,500	40,000	315,000
Additional, security-related cost (travel)	40,374	45,000	0	85,374
Total	173,874	186,500	40,000	400,374

#### Co-financing

30. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, UNIDO indicated that no co-financing has been identified at this moment, yet the Government of Somalia will provide local human resources and government office facilities as in-kind contribution for the implementation of stage I of the HPMP.

#### Impact on the climate

31. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme (kg) of HCFC-22 not emitted due to better refrigeration practices results in approximately 1.8 CO<sub>2</sub>-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Somalia, in particular its efforts to improve servicing practices, refrigerant recovery and reuse indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere therefore resulting in benefits on climate. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the

HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

#### 2012-2014 business plan of the Multilateral Fund

32. UNIDO is requesting US \$400,374 (including security-related costs) plus support costs for the implementation of stage I of the HPMP. The total value requested, for the period 2012-2014 of US \$186,915 including support costs is within the amount in the business plan. Based on the estimated HCFC baseline consumption in the servicing sector of 5.3 ODP tonnes, Somalia's allocation up to the 2020 phase-out should be US \$315,000, excluding support costs, in line with decision 60/44.

#### Draft Agreement

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

### **RECOMMENDATION**

34. The Secretariat recognised the difficult situation in Somalia and efforts to prepare a HPMP for implementation as well as the commitment by the TFG of Somalia to achieve HCFC phase-out and meet its obligations under the Montreal Protocol. The Secretariat therefore recommends that the Executive Committee considers:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Somalia for the period 2012 to 2020 to reduce HCFC consumption by 35 per cent of the baseline, at the amount of US \$315,000, plus agency support costs of US \$23,625 for UNIDO;
- (b) Noting that the Government of Somalia had agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption an estimated baseline of 5.3 ODP tonnes, calculated using the consumption of 5.1 ODP tonnes and 5.5 ODP tonnes reported for 2009 and 2010, respectively, based on the revised survey data, plus 1.68 ODP tonnes of HCFC-141b contained in imported pre-blended polyols systems, resulting in 6.97 ODP tonnes;
- (c) Deducting 1.85 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption;
- (d) Approving the draft Agreement between the Government of Somalia and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (e) Requesting the Fund Secretariat, in the event that the baseline consumption for Somalia was amended based on revised Article 7 data, to update Appendix 2-A to the Agreement to include the revised figures for the baseline once approved by the Parties to the Montreal Protocol;
- (f) Approving the first tranche of stage I of the HPMP for Somalia, and the corresponding implementation plan, at the amount of US \$133,500, plus agency support costs of US \$10,013 for UNIDO;

- (g) Approving, on an exceptional basis, the funding of US \$40,374 plus agency support costs of US \$3,028 for UNIDO in the first tranche for the security-related costs in addition to the funding of stage I of the HPMP to enable the implementation of the programme;
- (h) Noting that additional funding of US \$45,000 plus agency support costs of US \$3,375 for UNIDO could be requested when the second tranche is being submitted, on the understanding that the approval of this funding will be subject to an assessment on the security situation at the time; and
- (i) Allowing Somalia to submit the foam sector plan for phasing out the HCFC-141b contained in imported pre-blended polyols during the implementation of stage I of the HPMP.

## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF SOMALIA 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 Somalia (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 3.44 ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules.
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 and 4.2.3 (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 68<sup>th</sup> meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

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

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

- (a) Reallocations categorized as major changes must be documented in advance 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. UNIDO 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 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). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in rows 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 (“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 and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead 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

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	5.29
HCFC-141b in imported pre-blended polyols			1.68
Total			6.97

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

Row	Particulars	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	45.08	45.08	40.57	40.57	40.57	40.57	40.57	29.30	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	5.29	5.29	4.76	4.76	4.76	4.76	4.76	3.44	n/a
2.1	Lead IA UNIDO agreed funding (US \$)	133,500	0	0	0	141,500	0	0	0	40,000	315,000
2.2	Support costs for Lead IA (US \$)	10,013	0	0	0	10,613	0	0	0	3,000	23,625
3.1	Total agreed funding (US \$)	133,500	0	0	0	141,500	0	0	0	40,000	315,000
3.2	Total support costs (US \$)	10,013	0	0	0	10,613	0	0	0	3,000	23,625
3.3	Total agreed costs (US \$)	143,513	0	0	0	152,113	0	0	0	43,000	338,625
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										1.85
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)										0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										3.44
4.2.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)										0
4.2.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)										0
4.2.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)										1.68

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at 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, 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 Ministry of Fisheries, Marine Resources and Environment (the Ministry) through the National Ozone Unit (NOU) will be responsible for project monitoring and reporting with the assistance of the Lead IA.
2. The consumption will be monitored and determined based on official import and export data for the HCFCs recorded by relevant government departments.
3. The Ministry shall compile and report the following data and information on an annual basis on or before the relevant due dates:
  - (a) Annual reports on consumption of HCFCs by substance to be submitted to the Ozone Secretariat; and
  - (b) Annual report on progress of implementation of the HPMP to be submitted to the Executive Committee of the Multilateral Fund.
4. The Lead IA, in consultation with the Ministry, will contract an independent and qualified entity to carry out a qualitative and quantitative performance evaluation of the HPMP implementation. The evaluating entity shall submit a consolidated report, with endorsement by the Ministry, to the Lead IA at the end of each annual implementation plan period. The report shall include the status of the Country's compliance with the provisions of this Agreement and will be submitted to the relevant meeting of the Executive Committee along with the annual implementation plan and reports.

## **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;
  - (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 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 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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