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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: ARMENIA

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

Phase-out

- HCFC phase-out management plan (stage I, third tranche) UNDP and UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Armenia

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage I)	UNDP (lead), UNEP	62 nd	10% by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	4.54 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				1.1	3.4				4.5
HCFC-141b in imported pre-blended polyol		0.5							0.5

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	7.0	Starting point for sustained aggregate reductions:	7.83
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	2.23	Remaining:	5.6

(V) BUSINESS PLAN		2015	Total
UNEP	ODS phase-out (ODP tonnes)	0.0	0.0
	Funding (US \$)	8,458	8,458
UNDP	ODS phase-out (ODP tonnes)	0.1	0.1
	Funding (US \$)	33,879	33,879

(VI) PROJECT DATA			2010	2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits			n/a	n/a	n/a	7.0	7.0	6.30	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	n/a	7.0	7.0	6.30	n/a
Agreed funding (US \$)	UNDP	Project costs	265,661	297,177	0	0	0*	0	562,838
		Support costs	19,925	22,288	0	0	0*	0	42,213
	UNEP	Project costs	31,515		0	0	7,485	0	39,000
		Support costs	4,097		0	0	973	0	5,070
Funds approved by ExCom (US \$)	Project costs		297,176	297,177	0	0	0	0	594,353
	Support costs		24,022	22,288	0	0	0	0	46,310
Total funds requested for approval at this meeting (US \$)	Project costs		0	0	0	0	0	7,485	7,485
	Support costs		0	0	0	0	0	973	973

*The tranche of US \$31,515 plus agency support costs is not being requested at the 74th meeting.

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Armenia, UNDP as the lead implementing agency, has submitted to the 74th meeting a request for funding for the third and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$7,485 plus agency support costs of US \$973 for UNEP only. The third and final tranche for UNDP in the amount of US \$31,515 plus agency support costs of US \$2,364 is not being requested. The submission includes a progress report on the implementation of the second tranche and the tranche implementation plan for 2015 to 2016.

Report on HCFC consumption

HCFC consumption

2. The Government of Armenia reported an estimated consumption of 3.02 ODP tonnes of HCFC-22 (the only HCFC consumed in the country) in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Armenia (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014*	Baseline
Metric tonnes						
HCFC-22	129.58	136.40	103.00	82.62	55.00	126.69
HCFC-141b in imported pre-blended polyols	14.00	20.30	22.00	4.59	-	7.0**
ODP tonnes						
HCFC-22	7.13	7.50	5.67	4.54	3.02	7.0
HCFC-141b in imported pre-blended polyols	1.54	2.23	2.42	0.50	0	0.83**

* Estimated consumption not yet reported under Article 7

** Average consumption 2007-2009

3. Consumption of HCFC-22 has been decreasing since 2011. In 2014, HCFC consumption was reduced to 43 per cent below the baseline. This was due to lower demand for HCFC-22 in the servicing sector because of better servicing practices from technicians.

Country programme (CP) implementation report

4. The Government of Armenia reported sector HCFC consumption data for 2013 under CP implementation report which is consistent with the data reported under Article 7. The 2014 CP report will be submitted by 1 May 2015.

Progress report on the implementation of the second tranche of the HPMP

Legal framework

5. During the second tranche implementation, the Government of Armenia updated and amended HCFC legislation to include: quotas for HCFC imports from 2013 based on the Montreal Protocol schedule, and a ban on the import of HCFC-based equipment as of January 2015. The Government also developed a guide on ODS imports and exports.

Manufacturing sector

6. Stage I of the HPMP included the conversion of the commercial refrigeration manufacturer SAGA to hydrocarbon technology both for refrigeration as well as foam manufacturing. During the second tranche, the equipment required for the conversion of both the foam and refrigeration components was delivered to SAGA in November 2014. However, due to financial constraints and competition, the enterprise was unable to perform the required civil works to fully implement the project. After a number of consultations, the national ozone unit (NOU) informed UNDP that the enterprise will no longer be able

to participate in the investment project, and requested that this project be cancelled. Accordingly, UNDP had not requested funding associated with this project.

Refrigeration servicing sector

7. As part of the UNDP component for the initial development of a refrigerant management system supporting the servicing sector, 25 sets of servicing tools were distributed to enterprises, and four sets were provided to the Refrigeration Association of Armenia. Other activities implemented by UNEP included the completion of an updated training material for refrigeration technicians, trained 42 refrigeration technicians in good practices, updated training materials for customs, and trained 40 customs officers.

Project implementation and monitoring

8. The HPMP in Armenia is implemented by the Ministry of Nature Protection (MNP) and the NOU. The main tasks include, *inter alia*, drafting guidelines and regulations, assisting in public awareness activities and coordinating interaction and cooperation between stakeholders and Government officials. The National Project Director (NPD) of the MNP ensures effective communications between partners on the national level and monitors the progress on implementation.

Level of fund disbursement

9. As of December 2014, of the US \$594,353 so far approved, US \$541,693 had been disbursed. Out of this balance, US \$47,987 will be returned when the project is completed from the investment project (Table 2).

Table 2. Financial report of stage I of the HPMP for Armenia (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	265,661	265,661	297,177	244,516	562,838	510,178
UNEP	31,515	31,515	0	0	31,515	31,515
Total	297,176	297,176	297,177	244,516	594,353	541,693
Disbursement rate (%)	100		82		91	

Implementation plan for the third tranche of the HPMP

10. During the third funding tranche of the HPMP, the following activities will be implemented:
- (a) Monitoring of the use of supplied recovery and recycling equipment and tools (UNDP) (US \$1,500, balance from the previous tranche);
 - (b) Awareness raising on the HCFC re-use and HCFC control system in the servicing sector (UNDP) (US \$500, balance from the previous tranche);
 - (c) Support to local travel of the national expert during monitoring missions (UNDP) (US \$950, balance from the previous tranche);
 - (d) Two training workshops for 30 front line customs and environmental enforcement officers (UNEP) (US \$3,500);
 - (e) Two training workshops on good service practice for 20 refrigeration technicians (UNEP) (US \$2,500); and
 - (f) Project implementation and monitoring unit (PMU) (UNEP) (US \$1,485).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption

11. Armenia's 2013 reported consumption and its estimated 2014 consumption demonstrates that it has met the freeze requirement under the Montreal Protocol, and has in fact reduced HCFC consumption by over 43 per cent from its baseline. No HCFC-141b-based pre-blended polyols were imported in 2014.

Verification report

12. A verification of the HCFC consumption of Armenia is required for the year 2014. As of writing of this document, the verification report was not received at the Secretariat. This delay was due in part to the verification requirement having been approved by the Executive Committee only at the 73rd meeting in November 2014. In line with decision 72/19(b), should the verification reports not be ready in time for the first meeting of the year, transfer of any approved funds for tranches to the bilateral and implementing agencies would occur only after receipt by the Secretariat of the verification reports confirming that, in the year immediately preceding the tranche request, the country had been in compliance with the Montreal Protocol and the Agreement between its Government and the Executive Committee.

Progress report on the implementation of the second tranche of the HPMP

Legal framework

13. In line with decision 63/17, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol. The HCFC import quota for 2015 has been established at 6.3 ODP tonnes. For subsequent years, the annual quota will be based on the levels allowed under the Montreal Protocol.

14. A Government resolution introducing the ban in use of HCFC-141b contained in imported pre-blended polyols had already been drafted but not yet adopted. UNDP clarified that this ban was supposed to be implemented after the conversion of SAGA was completed; however, as this has not materialized, this resolution was held in abeyance. Nevertheless, a different resolution was agreed on 15 February 2015 banning the import of HCFC-based products, which included HCFC-141b-based polyols, as part of the country's accession to the Customs Union which is part of the Eurasian Economic Union (EAEU). With regard to imports of pure HCFC-141b, there is no demand for this substance in the country due to lack of systems houses or its use as a solvent. The finalization of a ban on pure HCFC-141b is envisaged in stage II of the HPMP.

Manufacturing sector

15. The Secretariat had noted that the project for the conversion of SAGA has been cancelled, as confirmed by the enterprise in an official communication to the NOU. It is not clear, however, whether the enterprise will continue operations without the use of HCFC-141b or will cease production completely. According to UNDP, while the enterprise had not resumed local production, it also has not completely stopped its other business operations dealing with assembly of refrigeration equipment using imported components. UNDP also confirmed that no further imports of HCFC-141b had been approved for the enterprise; therefore, it is confident that the enterprise will not re-start operations after declaring its intent to cancel the conversion project.

16. As the equipment was delivered without being unpacked, UNDP contacted the supplier/manufacturer to return it. However, the supplier/manufacturer informed UNDP that it would not be possible to return the equipment and get a refund. Therefore, UNDP is currently exploring the option of looking for interested enterprises in the European Union which might need such equipment (at least for the foam manufacturing). UNDP is also exploring with UNIDO options for transferring the equipment to any other project. While UNDP could not provide a timeline on when this transfer of equipment will be completed, it committed to ensuring that any refund or balances related to the equipment will be returned to the Multilateral Fund once all the details are finalized. UNDP will provide an update on this at the 74th meeting.

17. In view of the cancellation of the SAGA project, UNDP noted that out of the US \$534,535 allocated for the project, US \$457,800 had been disbursed (i.e. US \$401,790 for the purchase of equipment, and US \$56,010 for technical assistance). The total balance for the investment project (excluding possible returns when the equipment is reimbursed or re-sold) is estimated at US \$76,735, which includes US \$31,515 associated with the third funding tranche which had not been requested. UNDP will return the balance of the project, including funding obtained from the reallocation of the equipment to other project, once stage I of the HPMP is completed.

18. UNDP also confirmed that as the enterprise is not operating anymore, the 0.83 ODP tonnes of HCFC-141b contained in imported pre-blended polyols associated with the project is considered as being phased out by Armenia.

Refrigeration servicing sector

19. UNEP reported that the Government attributed a large part of the success in the reduction of HCFC consumption in the servicing sector to the training undertaken in the previous tranches, as the promotion of good practice has reduced the leakage rates of refrigerants in the country, thereby reducing the demand for HCFC-22 in 2013 and 2014 as compared to 2012. With regard to the long-term sustainability of the training programme for technicians, UNEP indicated that as training of technicians will continue in stage II (as only about 50 per cent of total technician population had been trained), it will explore the inclusion of good service practices in the curricula of vocational schools.

20. With regard to customs training, in discussions with the Customs Administration, the NOU had come to an agreement on the inclusion of preventing illegal trade in ODS into the customs regular training programme by mid-2015.

Work plan 2015-2016

21. In discussing the work plan UNDP indicated that this request would only cover UNEP's share of the tranche (US \$7,485), and UNDP will not request the final tranche of US \$31,515 plus agency support costs of US \$2,364 as it is associated with the investment project for SAGA.

Revision of the HPMP Agreement

22. In order to reflect the changes in the tranche distribution (i.e. UNDP's 2014 tranche reduced to zero due to cancellation of the investment project at SAGA), Appendix 2-A ("The targets, and funding") to the Agreement for stage I of the HPMP for Armenia, which was revised at the 66th meeting, is further updated at this meeting as contained in Annex I to the present document. The full updated revised Agreement will be appended to the final report of the 74th meeting.

Conclusion

23. The Secretariat has noted that Armenia is in compliance with the level of consumption required under the Montreal Protocol and its Agreement for stage I of the HPMP, it has a robust legal framework with a strong quota system, ban on imports of HCFC-based equipment, and that its entry to the EAEU Customs Union will also make it subject to more stringent conditions of imports and exports of HCFC. Although the investment project had been cancelled, the activities in the servicing sector progress well. The Secretariat also noted that UNDP is seeking potential buyers of the equipment purchased for SAGA and will return all balances from the cancelled project (including the sale of the equipment), and is not requesting the final tranche of stage I of the HPMP. Based on the above, the final tranche of the HPMP may be considered for approval by the Executive Committee.

RECOMMENDATION

24. The Fund Secretariat recommends that the Executive Committee:

- (a) Notes:
 - (i) The progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Armenia;
 - (ii) The cancellation of the investment project in SAGA, noting that UNDP commits to return the balances to the Multilateral Fund upon completion of stage I;
 - (iii) That HCFC consumption (0.83 ODP tonnes of HCFC-141b) associated with SAGA would continue to be deducted from the starting point;
 - (iv) That the Fund Secretariat had updated paragraph 16 and Appendix 2-A of the Agreement between the Government of Armenia and the Executive Committee, based on the adjustment for the amount of the last tranche for UNDP due to project cancellation, and to indicate that the updated revised Agreement superseded that reached at the 66th meeting, as contained in Annex I to the present document; and
- (b) Requests the Government of Armenia, UNDP and UNEP to submit the project completion report to the first meeting of the Executive Committee in 2017.

25. The Fund Secretariat further recommends blanket approval of the third and final tranche of stage I of the HPMP for Armenia, and the corresponding 2015-2016 tranche implementation plan, at the funding level shown in the table below, on the understanding that the approved funds would not be transferred to UNEP until the Secretariat had reviewed the verification report and confirmed that the Government of Armenia was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third tranche)	7,485	973	UNEP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF ARMENIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

16. The revised Agreement supersedes the Agreement reached between the Government of Armenia and the Executive Committee at the 66th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2010	2011	2012	2013	2014	2015	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	7.00	7.00	6.30	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	7.00	7.00	6.30	n/a	
2.1	Lead IA UNDP agreed funding (US \$)	265,661	297,177	0	0	0*	0	562,838	
2.2	Support costs for Lead IA (US \$) 7.5%	19,925	22,288	0	0	0	0	42,213	
2.3	Cooperating IA UNEP agreed funding (US \$)	31,515	0	0	0	7,485	0	39,000	
2.4	Support costs for Cooperating IA (US \$) 13%	4,097	0	0	0	973	0	5,070	
3.1	Total agreed funding (US \$)	297,176	297,177	0	0	7,485	0	601,838	
3.2	Total support cost (US \$)	24,022	22,288	0	0	973	0	47,283	
3.3	Total agreed costs (US \$)	321,198	319,465	0	0	8,458	0	649,121	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)								1.40
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)								5.60
4.2.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this agreement (ODP tonnes)								0.83
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)								0

*Funds associated with SAGA withdrawn from stage I
