



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/54/33  
7 March 2008



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-fourth Meeting  
Montreal, 7-11 April 2008

**PROJECT PROPOSAL: ERITREA**

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

Phase-out

- Terminal phase-out management plan for CFCs (first tranche) UNEP and UNIDO

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.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

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

<b>PROJECT TITLE</b>	<b>BILATERAL/IMPLEMENTING AGENCY</b>
Terminal phase-out management plan for CFCs (first tranche)	UNEP and UNIDO

<b>NATIONAL CO-ORDINATING AGENCY:</b>	Department of Environment, Ministry of Land, Water and Environment
---------------------------------------	--

**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**

**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF JANUARY 2008)**

Annex A, Group I, CFCs	30.2		

**B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF JANUARY 2008)**

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFCs				30.2			

<b>CFC consumption remaining eligible for funding (ODP tonnes)</b>	
--	--

**CURRENT YEAR BUSINESS PLAN:** Total funding US \$313,000: total phase-out 8.9 ODP tonnes.

<b>PROJECT DATA</b>		<b>2008</b>	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	<b>4.2</b>	4.2	0	
	Annual consumption limit	<b>4.2</b>	4.2	0	
	Annual phase-out newly addressed	<b>0</b>	4.2	0	4.2
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT</b>					
<b>Final project costs (US \$):</b>					
Funding for Lead IA: UNEP		<b>100,000</b>	70,000	0	170,000
Funding for Cooperating IA: UNIDO		<b>100,000</b>	75,000	0	175,000
<b>Total project funding</b>		<b>200,000</b>	145,000	0	345,000
<b>Final support costs (US \$):</b>					
Support cost for Lead IA: UNEP		<b>13,000</b>	9,100	0	22,100
Support cost for Cooperating IA: UNIDO		<b>9,000</b>	6,750	0	15,750
<b>Total support costs</b>		<b>22,000</b>	15,850	0	37,850
<b>TOTAL COST TO MULTILATERAL FUND (US \$)</b>		<b>222,000</b>	160,850	0	382,850
Final project cost effectiveness (US\$/kg)					n/a

**FUNDING REQUEST:** Approval of funding for the first tranche (2008) as indicated above.

<b>SECRETARIAT'S RECOMMENDATION</b>	Individual consideration
-------------------------------------	--------------------------

## **PROJECT DESCRIPTION**

1. On behalf of the Government of Eritrea, UNEP, as the lead implementing agency, has submitted a terminal CFC phase-out management plan (TPMP) for consideration by the Executive Committee at its 54th Meeting. The project will also be implemented with assistance from UNIDO. The total cost of the TPMP for Eritrea, as originally submitted, is US \$500,000 (US \$300,000 plus agency support costs of US \$39,000 for UNEP and US \$200,000 plus agency support costs of US \$18,000 for UNIDO). The project proposes the complete phase-out of CFCs (4.6 ODP tonnes) by the end of 2009. The CFC baseline for compliance is 41.1 ODP tonnes.

### **Background**

2. Eritrea became a party to the Vienna Convention and the Montreal Protocol in March 2005, and to the London, Copenhagen, Montreal and Beijing Amendments in July 2005. At its 47th Meeting in November 2005, the Executive Committee approved funding for UNDP and UNEP for the preparation of the country programme/TPMP and start-up costs for the establishment of the Ozone Unit. Together with the TPMP, the Government of Eritrea is also submitting its country programme to the 54th Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/54/51).

### **Policy and legislation**

3. Eritrea as member of the Common Market for Eastern and Southern Africa (COMESA), is covered by the recently adopted sub-regional regulations on ODS and is therefore in compliance with its obligations to set up an ODS licensing system under the Montreal Protocol. Enforcement of the sub-regional regulations will commence immediately upon approval of the TPMP, when funding becomes available for training of customs and enforcement officers and for the procurement of ODS identifiers.

### **Refrigeration servicing sector**

4. Of the total 4.2 ODP tonnes of CFCs used in the refrigeration servicing sector in 2006, 1.2 ODP tonnes are used for servicing domestic refrigerators, 2.0 ODP tonnes for commercial, industrial refrigeration systems and air conditioning systems, and 1.0 ODP tonnes for MAC units.

5. There are approximately 200 refrigeration technicians in the country, none of whom have received training in good servicing practices, recovery/recycling operations or retrofit of refrigeration systems. The current average prices of refrigerants per kg are: US \$17.20 for CFC-12, US \$19.60 for HFC-134a, US \$18.10 for HCFC-22 and US \$17.20 for R502.

### **Activities proposed in the TPMP**

6. The TPMP proposes to assist in the implementation and enforcement of ODS regulations; train 250 customs officers and 200 refrigeration technicians in good servicing and retrofitting practices; provide ODS identification kits to customs officers; implement a technical assistance programme to provide basic service tools to refrigeration technicians and to implement a retrofit incentive programme; and establish a monitoring and evaluation mechanism. The Government of

Eritrea plans to complete the phase-out of CFCs by 1 January 2010. A work plan for 2008 has been submitted with the TPMP proposal.

## **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

### **COMMENTS**

#### Policy issues

7. At their 18th and 19th Meetings, the Parties to the Montreal Protocol adopted decisions regarding 2005 CFC consumption in excess of allowable consumption, and the apparent lack of an ODS import and export licensing system, and requesting Eritrea to provide explanations and submit plans of action to return to compliance (decisions XVIII/24 and XIX/26).

8. Noting that the 2006 CFC consumption reported in the TPMP of 4.2 ODP tonnes is already 2.0 ODP tonnes below the maximum allowable level of CFC consumption for 2007, and also considering that Eritrea as member of COMESA is in compliance with its obligations to set-up an ODS licensing system, the Secretariat suggested that UNEP and UNIDO assist the relevant authorities in Eritrea in submitting this information to the Ozone Secretariat. UNEP reported that it has been assisting the Government in doing so. Subsequently, on 6 March 2007 UNEP sent to the Fund Secretariat a copy of the Article 7 data report submitted by the Government of Eritrea to the Ozone Secretariat. UNEP also indicated that the letter from the Government advising that the country has a licensing system in place will be send shortly to the Ozone Secretariat.

#### Issues related to the TPMP

9. The Fund Secretariat raised an issue concerning the apparent high consumption of over 30 ODP tonnes reported by the Government in 2005, taking into consideration the size of the population of Eritrea, which is mainly dedicated to subsistence agriculture; the limit of electricity supply to only larger cities and towns; and the effect of the 1998-2000 Ethiopia-Eritrea conflict that severely affected Eritrea's economy. UNEP, as the lead agency, indicated that the previously reported consumption data was based on information collected through interviews with ODS distributors and users. However, CFC consumption reported for 2006 is more accurate as a result of the work undertaken by the Ozone Unit established in early 2006.

10. The TPMP for Eritrea proposes to establish three regional retrofitting and recovery/recycling centres. This programme has been included in the TPMPs of other countries that already have an approved RMP/RMP update. Since the Government of Eritrea has not yet received any assistance from the Fund for phasing out CFC consumption, it might take longer for implementation of this programme to begin. In this regard, the Secretariat suggested considering a more flexible technical assistance programme that will provide basic tools for service technicians to reduce the amount of CFC used during servicing operations, provide multi-refrigerant recovery and recycling machines, favour the introduction of alternative refrigerants, and conduct cost-effective retrofits of refrigeration systems. UNEP and UNIDO agreed with this approach and adjusted the programme accordingly.

11. UNEP and UNIDO also adjusted the cost of the TPMP for Eritrea on the basis of decision 45/54(c), which establishes a maximum level of funding of US \$345,000 for countries with a baseline between 30 and 60 ODP tonnes.

**Agreement**

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

**RECOMMENDATION**

13. Noting that the 2006 CFC consumption reported in the TPMP is already below the maximum allowable level of CFC consumption for 2007 and that an ODS licensing system is already in place, the Secretariat recommends approval of the terminal phase-out management plan for Eritrea. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Eritrea, at the amount of US \$345,000 (US \$170,000 plus agency support costs of US \$22,100 for UNEP and US \$175,000 plus agency support costs of US \$15,750 for UNIDO), on the understanding that approval was without prejudice to the operation of the Montreal Protocol’s mechanism for addressing non-compliance;
- (b) Approve the draft agreement between the Government of Eritrea and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to this document;
- (c) Urge UNEP and UNIDO to take full account of the requirements of decisions 41/100 and 49/6 of the Executive Committee during the implementation of the terminal phase-out management plan; and
- (d) Approve the first tranche of the plan at the funding levels shown in the table below, on the understanding that funding would not be released until confirmation of the reporting of the licensing system to the Ozone Secretariat is received by the Fund Secretariat:

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	Terminal phase-out management plan (first tranche)	100,000	13,000	UNEP
(b)	Terminal phase-out management plan (first tranche)	100,000	9,000	UNIDO



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

1. This Agreement represents the understanding of the Government of Eritrea (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) in this Agreement. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 6 of Appendix 2-A (the “Targets, and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2 -A. It will also accept independent verification by the relevant implementing agency of achievement of these consumption limits as described in sub-paragraph 5(b) of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
  - (a) That the Country has met the Targets for the applicable year;
  - (b) That the meeting of these Targets will be independently verified, if requested by the Executive Committee consistent with paragraph (d) of decision 45/54;
  - (c) That the Country has substantially completed all actions set out in the last annual implementation programme; and
  - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Format of Annual Implementation Programme”) in respect of the year for which tranche funding is being requested.

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

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual implementation programme.

8. Specific attention will be paid to the execution of the activities in the refrigeration-servicing sub-sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The technical assistance programme for the refrigeration-servicing sub-sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement; and
- (c) The Country and the implementing agencies will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfill the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the “Lead IA”) {and UNIDO has agreed to be cooperating implementing agency (the “Cooperating IA”) under the lead of the Lead IA} in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification as per sub-paragraph 5(b). The Country also agrees to periodic evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. (The Cooperating IA will be responsible for carrying out the activities listed in Appendix 6-B.) The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 7 and 8 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 2-A of the Montreal Protocol or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised funding approval schedule determined by the Executive



Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA (and the Cooperating IA) to facilitate implementation of this Agreement. In particular, it will provide the Lead IA (and the Cooperating IA) with access to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

## APPENDICES

### APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-12, CFC-115
----------	---------	-----------------

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

		2008	2009	2010	Total
1	Montreal Protocol reduction schedule of Annex I, Group I substances (ODP tonnes)	4.2	4.2	0	
2	Max. allowable total consumption of Annex I, Group I substances (ODP tonnes)	4.2	4.2	0	
3	New reduction under plan (ODP tonnes)	0	4.2	0	4.2
4	Lead IA agreed funding (US \$)	100,000	70,000	0	170,000
5	Cooperating IA agreed funding (US \$)	100,000	75,000	0	175,000
6	Total agreed funding (US \$)	200,000	145,000	0	345,000
7	Lead IA support costs (US \$)	13,000	9,100	0	22,100
8	Cooperating IA support costs (US \$)	9,000	6,750	0	15,750
9	Total agreed support costs (US \$)	22,000	15,850	0	37,850
10	Grand total agreed funding (US \$)	222,000	160,850	0	382,850

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

**APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME**

**1. Data**

Country \_\_\_\_\_  
 Year of plan \_\_\_\_\_  
 # of years completed \_\_\_\_\_  
 # of years remaining under the plan \_\_\_\_\_  
 Target ODS consumption of the preceding year \_\_\_\_\_  
 Target ODS consumption of the year of plan \_\_\_\_\_  
 Level of funding requested \_\_\_\_\_  
 Lead implementing agency \_\_\_\_\_  
 Cooperating agency(ies) \_\_\_\_\_

**2. Targets**

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

**3. Industry Action**

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

**4. Technical Assistance**

Proposed Activity:  
 Objective:  
 Target Group:  
 Impact:

**5. Government Action**

<b>Policy/Activity planned</b>	<b>Schedule of implementation</b>
Type of policy control on ODS import: servicing, etc.	
Public awareness	
Others	

**6. Annual Budget**

<b>Activity</b>	<b>Planned expenditures (US \$)</b>
Total	

**7. Administrative Fees**

**APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. All the monitoring activities will be coordinated and managed through the project "Monitoring and Management Unit", within the National Ozone Unit (NOU).

Verification and reporting

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

**APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

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

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Assisting the Country in preparation of the Annual Implementation Programme;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme consistent with Appendix 5-A. In case the Executive Committee selects Eritrea consistent with paragraph (d) of decision 45/54, separate funding will be provided by the Executive Committee to the Lead IA for this undertaking;

- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future annual implementation programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of 2008 and preparing for annual implementation programme for 2009 for submission to the Executive Committee.
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets, if requested by the Executive Committee;
- (j) Coordinating the activities of the Cooperating IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

#### **APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY**

1. The Cooperating IA will:

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

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

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

---