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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixtieth Meeting
Montreal, 12-15 April 2010

**REVISED TEMPLATE FOR DRAFT AGREEMENTS FOR HCFC PHASE-OUT
MANAGEMENT PLANS (DECISION 59/16(b))**

1. In advance of the 59th Meeting of the Executive Committee, the Secretariat had prepared a preliminary template for a draft agreement for HCFC phase-out management plans (HPMPs) on the basis of the templates for agreements on national phase-out plans (NPPs) and terminal phase-out management plans (TPMPs), incorporating some improvements in the light of experience gained in the implementation of such agreements. The preliminary template was intended to be a starting point for the future development of a template for draft agreements and a means of helping Article 5 Parties to prepare agreements that conformed to the requirements of the Executive Committee.

2. At the 59th Meeting the issue was discussed by the Executive Committee, and several representatives of implementing agencies said that such a template would be very useful to them. In the discussion it was also suggested that the draft agreement should contain a clause in which the country confirmed its continued commitment to meeting all existing obligations with regard to the phase-out of relevant ODS.

3. Subsequent to this discussion, the Executive Committee decided (decision 59/16) to request bilateral and implementing agencies preparing HPMPs to use the preliminary template as a guideline when advising countries on preparing a draft agreement for HPMPs for consideration by the Executive Committee; and to request Executive Committee Members and bilateral and implementing agencies to submit comments on the preliminary template to the Secretariat so as to enable it to prepare a revised version of the preliminary template for consideration by the Committee at its 60th Meeting. In December 2009, the Secretariat wrote to the bilateral and implementing agencies requesting their comments, and one response was received. The comments from the Government of Germany are contained in Annex I to this document.

4. The Secretariat reviewed the preliminary template and took into consideration the comments made by Germany. The changes carried out as compared to the template enclosed with the report of the 59th Meeting of the Executive Committee are included in the following list. An updated preliminary template is contained in Annex II.

- (a) In paragraph 1, additional language was introduced for the purpose to indicate a final reduction under the plan prior to the establishment of a baseline for the country. Once the baseline has been determined, this option becomes obsolete;
- (b) In paragraph 2, changes were introduced to capture the idea of sustained reductions for those substances which are not part of the agreement, but have been phased out previously. The text also allows for essential or critical use exemptions;
- (c) In paragraph 5, the wording has been slightly changed to express better for which years a country needs to report when submitting a tranche request;
- (d) In paragraph 7, the words “i.e. reallocations affecting in total 30% or more of the funding of the last approved tranche” have been added to specify more precisely the term “major changes”. These words are intended to capture the content of decision 46/37, specifying flexibility in multi-year agreements;
- (e) The role of the cooperating agency has been made more specific; and
- (f) In a number of paragraphs, the language has been modified very slightly (consistent use of plural for “reports”, for example) to provide more consistency without effect on the content.

5. The Secretariat would like to reconfirm that this draft template is solely intended to express the general expectations of the Executive Committee for agreements with country governments relating to HCFC consumption phase-out. Due to its generally applicable language, it forms a suitable basis for countries to produce their own Draft Agreement for submission with relatively minor effort, with amendments as needed to suit specific circumstances. The Secretariat will, in such cases, seek clarification regarding the reasons for the changes and present the case to the Executive Committee at the time when the plan is being submitted.

6. In the second part of the proposed decision below, the Secretariat relates to the issue that HPMP agreements might foresee approval of the final tranche at a time before the country has reported consumption for the first year with a consumption limit, under the Montreal Protocol, i.e. for the year 2013. For the year 2010 to 2012, the definition of a limited maximum allowable consumption is only of limited usefulness, since there is no requirement under the Montreal Protocol to limit consumption in those years. The decision simply requests that the planned submission of the last tranche can only be foreseen once the consumption for 2013 is known.

7. The Secretariat recommends that the Executive Committee:

- (a) Approves the template contained in Annex II to document UNEP/OzL.Pro/ExCom/60/48, as a basis for the drafting of an Agreement between a country and the Executive Committee regarding HCFC phase-out management plans; and
- (b) Requests that future draft agreements schedule the submission of final tranches so that consumption will have been reported under Article 7 of the Montreal Protocol for the year 2013 before the last tranche of the agreement is to be approved.

Annex I

COMMENTS FROM THE GOVERNMENT OF GERMANY DATED 31 DECEMBER 2009
(extracted from e-mail communication)

[...]

Commenting on Agenda item 7, Decision 59/16:

Preliminary template for draft agreements for HPMPs

The draft template for HPMP agreements is based on the well proven practices for National CFC Phase Out Plans. Therefore considerable experience on how to handle such documents exists in the Agencies as well as in the National Ozone Units (NOUs).

As far as the principle and content of the draft template is concerned, in our opinion nothing needs to be changed. However, the language particularly in the initial text pages (which are meant to be applicable to all individual agreements without further change) appears to be a bit awkward. This may be partly due to the many cross references needed to point to other parts of the document, but also to the rather “legal” language used. In view of the overwhelming majority of users who are not native English speakers and the long time period during which this template would be applied, we kindly urge the Secretariat to make a special effort to simplify the text in cooperation with selected users.

In para 7 reference is made to possible reallocations categorized as “major” and “minor” changes. For clarity it may be helpful to indicate (as in previous templates) that “major” would be in excess of e.g. 20% of the tranche.

[...]

Annex II

PRELIMINARY TEMPLATE

DRAFT AGREEMENT BETWEEN [COUNTRY NAME] 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 [Country name] (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 [figure] ODP tonnes / maximum consumption allowed for [year] under the Montreal Protocol reduction schedule [minus [value/per cent]] prior to 1 January [year] 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. The country also agrees to meet the annual consumption limits specified in the Montreal Protocol reduction schedule for all Substances as well as for those ODS where the Montreal Protocol reduction schedule has already lead to complete phase-out, except to the degree that the Parties have agreed on essential or critical use exemptions for the Country. 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 which exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this agreement for all ODS specified in Appendix 1-A, and in respect to any consumption of each of the substances which exceeds the level defined in row[s] 4.1.3 [and 4.2.3, ...].

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 (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, to be commissioned by the relevant implementing agency (IA), 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 all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are 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;
- (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;

- (c) That the Country has substantially completed all actions set out in the previous tranche implementation plan and submitted a tranche implementation report in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) for each previous calendar year; and
- (d) That the Country has submitted and received endorsement from the Executive Committee for tranche implementation plans in the form of Appendix 4-A (the “Format of Tranche Implementation Reports and Plans”) for 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.

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 a tranche implementation plan and endorsed by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30% or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this agreement. Reallocations not categorized as major changes may be incorporated in the approved tranche implementation plan, under implementation at the time, and reported to the Executive Committee in the tranche implementation report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

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

- (a) Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) 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 fulfil the obligations under this Agreement. [Lead agency name] has agreed to be the lead implementing agency (the “Lead IA”) and [Cooperating agency name] 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 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 IA taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). [This responsibility includes the necessity to co-ordinate with the Cooperating IA to ensure appropriate timing and sequence

of activities in the implementation. The Cooperating IA will support the Lead IA by being responsible for carrying out the activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and Cooperating IA have entered into a formal agreement regarding planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co-ordination meetings.] The Executive Committee agrees, in principle, to provide the Lead IA [and the Cooperating IA] with the fees set out in row[s] 2.2 [and 2.4...] of Appendix 2-A.

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised funding approval schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne 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.

12. 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.

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

14. The completion 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 has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the plan and its subsequent revisions as per sub-paragraph 5(d), the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. 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 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	
HCFC-141b	C	I	
[substance name]	C	I	

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2010	2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)							n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)							n/a
2.1	Lead IA [agency name] agreed funding(US \$)							
2.2	Support costs for Lead IA(US \$)							
2.3	Cooperating IA [agency name] agreed funding (US \$)							
2.4	Support costs for Cooperating IA (US \$)							
3.1	Total agreed funding (US \$)							
3.2	Total support cost							
3.3	Total agreed costs (US \$)							
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)							
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)							
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							
4.2.1	Total phase-out of [substance] agreed to be achieved under this agreement (ODP tonnes)							
4.2.2	Phase-out of [substance] to be achieved in previously approved projects (ODP tonnes)							
4.2.3	Remaining eligible consumption for [substance] (ODP tonnes)							

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the [first/second/last] meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the plan, reflecting on changes in the circumstances in the country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, 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 about 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 in the next tranche, highlighting their interdependence and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted online into a database, as per the relevant decisions of the Executive Committee in respect to the format required. This quantitative information, to be submitted by calendar year, 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), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the country and agency; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. *Appendix 5-A, Monitoring Institutions and Roles, may vary from agreement to agreement. Previous agreements entered by the Committee as reflected in the Reports of the Meetings as well as the existing agreements for the TPMP should be referenced to provide relevant examples. The principle need is for the appendix to provide a detailed and credible indication of how progress is to be monitored and which organizations will be responsible for the activities. Please take into account any experiences from implementing the TPMP, and introduce the relevant changes and improvements.*

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include 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 phase-out plan;
 - (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;
 - (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Tranche 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 tranche implementation plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

- (e) Fulfilling the reporting requirements for the tranches and the overall plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee; this responsibility includes the reporting about activities undertaken by the Cooperating IA.
- (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 Tranche Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (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 organization to carry out the verification of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These might be included, as relevant, in this plan or they may have received funding previously, but be considered to be part of the HPMP. These activities can be specified in the respective project document further, but include at least the following:

- (a) Providing policy development assistance when required;
- (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$[figure] per ODP tonne of reductions in consumption not achieved in the year.
