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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-first Meeting
Montreal, 5-9 July 2010

**REVISED TEMPLATE FOR DRAFT AGREEMENTS FOR HCFC PHASE-OUT
MANAGEMENT PLANS (DECISIONS 59/16(b) AND 60/46)**

1. At the 59th Meeting a preliminary template for a draft agreement for HCFC phase-out management plans (HPMPs) prepared by the Secretariat on the basis of the templates for agreements on national phase-out plans (NPPs) and terminal phase-out management plans (TPMPs) was discussed by the Executive Committee. 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. 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.

2. 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 it 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.

3. After a brief discussion at the 60th Meeting, the Executive Committee, through decision 60/46, decided to defer the adoption of the revised template for draft agreements for HCFC phase-out management plans to its 61st Meeting, noting that implementing agencies and Members should be provided with a final opportunity to submit comments on the revised template, to be reflected in the documentation for the 61st Meeting. In May 2010, the Secretariat wrote to Members of the Executive Committee, as well as implementing agencies requesting comments. The request was acknowledged by the Government of France, and comments were received from the Governments of Colombia and Canada and also the World Bank. The comments are included in Annex I to this document, together with the comments received from Germany mentioned in paragraph 2.

4. The Secretariat took into consideration a number of the comments provided. The resulting changes compared to the preliminary template attached to the report of the 59th Meeting of the Executive Committee are included in the following list. An updated suggestion for a 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 had been introduced after the 59th Meeting to capture the idea of sustained reductions for those substances which are not part of the agreement, but have been phased out previously. Based on the comments received related to that change from Colombia and the World Bank, the original version has been restored. In addition, explanations in brackets have been added behind references to specific lines in the table in Appendix 2-A to make the text more readable;
- (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 5 (c), based on a suggestion from Canada, the wording has been changed to reflect decision 57/15 related to the progress necessary to allow approval of the next tranche;

- (e) In paragraph 7, the words “i.e. reallocations affecting in total 30 per cent 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;
 - (f) The role of the cooperating agency has been made more specific through changes in Appendix 6-A, paragraph 1 (e) and (i) and Appendix 6-B, paragraph 1 (c);
 - (g) In Appendix 7-A the wording has been changed to reflect the fact that Appendix 2-A does no longer define reductions, but maximum allowable consumption. Related to Appendix 7-A the role of the lead implementing agency was also amended in Appendix 6-A, paragraph 1 (j);
 - (h) A new Appendix 8-A allows for sector specific arrangements; this represents a placeholder for countries which intend to formulate sector-specific targets and activities under their HPMP; and
 - (i) In a number of paragraphs, the language has been modified very slightly (consistent use of plural for “reports”, for example, replacing “endorsement” of a plan by “approval” and “implementing agency” by “bilateral or implementing agency”) to provide more consistency without effect on the content.
5. A number of comments received were taken on board indirectly, or were not taken on board:
- (a) Canada had suggested a reference to decision 57/15 in paragraph 5 (c); the Secretariat, in consultation with Canada, instead reworded the paragraph and placed a citation of decision 57/15 in the text;
 - (b) The World Bank commented on the need to submit annual plans as per paragraph 5 (d), and, also, related to paragraph 1 (d) of Appendix 4-A reporting by calendar year. The perception was that there would be an obligation to provide reports and plans every year, and the World Bank suggested reporting only in conjunction with each tranche request. The perception of the World Bank is incorrect, and the intention of the Secretariat is exactly in line with the description of the World Bank. The related text states "that the Country has submitted [...] a tranche implementation plan [...] 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." The Secretariat is, based on previous experience, of the opinion that reports between tranche requests are impractical and only take place in a limited number of cases. However, also based on experience, planning (and reporting) by year is essential to avoid double-counting of implementation activities and impediments and to exercise oversight;
 - (c) The World Bank commented on the return of funds as indicated in the last sentence of paragraph 7. This paragraph actually has to be seen in conjunction with the flexibility clause in the same paragraph, and the clause in paragraph 14 related to the completion of the plan. Read together, these clauses specify that activities related to the phase-out of these substances can continue, can be re-planned and amended as long as funding is available. However, for the unlikely case that it would be impossible to plan for any more activities to support compliance, and should funds still remain in the budget, these funds cannot remain with the agency and should not be used in the country for other purposes than those related to compliance. Consequently, there needs to be a provision for funds to be returned;

- (d) The World Bank also commented on the narrative required as part of Appendix 4-A. The Secretariat views the information provided there regarding the exact content of the report as indicative and would like to point to the significant flexibility always shown in regard to the reporting formats. However, the Secretariat strongly believes in the necessity to provide in the reporting format a space for broad overviews, experiences, insights, concerns and conclusions beyond what can be expressed in numerical figures. Such reporting frequently forms the basis for interactions of the Secretariat with the agencies, where Secretariat staff, with the benefit of a wider exposure to such projects, can in some cases suggest ways forward for the agency and the country. The narrative also forms the background for such advice, since the narrative documents the institutional learning. As a consequence of the above, no changes in the draft template were made based on the related comments of the World Bank.

6. 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.

7. 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 years 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.

8. Finally, the Secretariat proposes a decision to exempt countries with HCFC consumption below 360 metric tonnes from verification except for an annual sample of 20 per cent of countries with already approved HPMP, and facilitates the related process; this would be similar to the current practice for TPMPs.

9. The Secretariat recommends that the Executive Committee:

- (a) Approves the template contained in Annex II to document UNEP/OzL.Pro/ExCom/61/52, as a basis for the drafting of an Agreement between a country and the Executive Committee regarding HCFC phase-out management plans;
- (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;
- (c) Requests the Secretariat to provide to the Executive Committee, at the first Meeting of each year starting with the year 2012, a list of all countries with a baseline HCFC consumption of 360 metric tonnes and below that have an approved HPMP, and an indication for a sample of 20 per cent of countries from that list, to allow the Executive Committee to approve such a sample for verification of each country's compliance with the HPMP agreement for that year;

- (d) Does not require verification under the HPMP agreement for countries on that list other than those included in the sample; and
- (e) Requests those bilateral and implementing agencies, which are in the role of lead agency for the respective agreement, to include the related costs for verification in a work programme amendment in the same year, and to submit the related verification in conjunction with a tranche request in the following year.

Annex I

**COMMENTS FROM THE GOVERNMENT OF GERMANY DATED 31 DECEMBER 2009
SUBMITTED FOR THE 60TH MEETING**
(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.

[...]

**COMMENTS FROM THE GOVERNMENT OF CANADA DATED 21 MAY AND 2 JUNE 2010
SUBMITTED FOR THE 61ST MEETING**
(extracted from e-mail communications)

[...]

Thank you for the additional opportunity to provide comments on the preliminary template for draft agreements on HCFCs.

We have a suggestion with respect to paragraph 5(c). According to this paragraph, funding for a tranche would not be provided unless "the Country has substantially completed all actions set out in the previous tranche implementation plan and submitted a tranche implementation report..etc..". We believe that the requirement to have completed all actions set out in the previous tranche implementation plan has now become somewhat inconsistent with Executive Committee decisions, in light of decision 57/15, which states: "that bilateral and implementing agencies should not submit for the Committee's consideration requests for funding tranches of multi-year agreement with low rates of implementation of activities initiated with previously approved tranches and where the rate of disbursement of funding available from the previously approved tranche was less than 20 per cent..."

According to decision 57/15, it would seem that funding could be provided for a tranche even if all actions associated with the previous tranche have not been substantially completed, as long as previous tranches do not have a low rate of implementation and that disbursement from the previous tranche in particular are 20 per cent or more.

Therefore, we suggest that paragraph 5(c) in the draft template be replaced by the following: "That the requirements of decision 57/15 with respect to previously approved tranches have been met and that the Country has 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" and to insert a footnote after the words "decision 57/15", in which the exact wording of the decision would be reproduced in order to ensure clarity.

[...]

Subsequent communication:

[...]

You may also want to consider the slight change in the formulation of the last phrase below, but this is just a suggestion.

"That the Country had 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, that it had achieved a *significant* (instead of satisfactory) level of implementation of activities initiated with previously approved tranches, that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent, *and* (instead of on the assumption) that other approved tranches had been disbursed completely; and"

[...]

COMMENTS FROM THE GOVERNMENT OF COLOMBIA DATED 20 MAY 2010
SUBMITTED FOR THE 61ST MEETING
(originally received in Spanish - extracted from e-mail communication)

[...]

In this connection, Colombia wishes to submit the following comments and remarks:

1. It is clear to Colombia that this agreement refers solely and exclusively to Group I substances contained in Annex C to the Montreal Protocol (HCFCs) and to the commitments to eliminate their consumption made by countries operating under paragraph 1 of Article 5, through the management plans for the phase-out of HCFCs (HPMPs);
2. The 2nd to 6th lines in paragraph 2 of the draft agreement state “*The country also agrees to meet the annual consumption limits specified in the Montreal Protocol reduction schedule **for all Substances**¹ as well as for those ODS where the Montreal Protocol reduction schedule has already led to complete phase-out, except to the degree that the Parties have agreed on essential or critical use exemptions for the Country.*”
3. In our view, this means that the agreement would contain commitments that go further than its basic purpose of permitting the phase-out of HCFC consumption in countries operating under paragraph 1 of Article 5 of the Montreal Protocol in connection with the activities and projects defined in the HPMPs and, consequently, it is also unacceptable that, according to paragraph 11 and Appendix 7-A (Reductions in funding for failure to comply), it opens up the possibility of penalizing a country for any possible non-compliance with the schedule for eliminating consumption of ODS controlled by the Protocol other than HCFCs;
4. The Montreal Protocol has mechanisms set up to monitor and take appropriate measures in cases of non-compliance with the objectives and agreements determined for the phase-out of the ODS contained in the annexes to the Protocol other than those in Group I of Annex C;
5. We therefore understand that Appendices 1-A and 2-A of the draft agreement refer to and lay down commitments solely in relation to substances in Group I of Annex C of the Montreal Protocol;
6. For the aforementioned reasons, Colombia considers that, in order to maintain the legal and technical consistency which this agreement should have between countries operating under paragraph 1 of Article 5 of the Montreal Protocol and the Executive Committee, the aforementioned text in paragraph 2 should be deleted.

I would be grateful if you would kindly take these comments into consideration and distribute them, when convenient, to other Members and the implementing agencies.

[...]

¹ Not underlined and not in bold in the original text.

COMMENTS FROM THE WORLD BANK DATED 23 MAY 2010
SUBMITTED FOR THE 61ST MEETING
(extracted from e-mail communication)

[...]

Our comments are as follow:

1) Para. 2 of Annex II, Preliminary Template: The second sentence requires the country in question to agree to meet annual consumption limits specified in its Montreal Protocol (MP) reduction schedule for all substances, not only the substance in question in the agreement, but also previously phased out substances. The implication is that the country could be penalized for not meeting its obligations for a substance not funded through the agreement (such as methyl bromide or CFC). We understand that the objective of the sentence is to seek reconfirmation from Article 5 countries that they will maintain complete phase-out of CFC, halon, etc., however, we believe this is not the place to do so. The agreement is between a country and the Executive Committee on HCFC and not intended to replace the mechanisms in place at the level of the Protocol that seek overall commitment and compliance with MP provisions.

2) Para. 5(d) of Annex II: The paragraph implies that countries are to submit implementation plans each year regardless of whether they are requesting funding for a subsequent tranche. We are the view however that implementation reports and plans should normally be submitted only as part of the request for a new funding tranche. There is, if you recall, a detailed progress reporting mechanism in place to apprise the Committee of progress of each multi-year agreement (MYA). Avoiding duplication of efforts in MYA reporting is to the advantage of not only the countries which are subject to a number of somewhat overlapping reporting requirements, but also to the reviewing bodies, particularly the Secretariat.

3) Para. 7 of Annex II: This paragraph addresses the flexibility clause. Our comment is first in regards to allocations of 30% or more of the funding of the last approved tranche which would alone constitute a major change. This condition may inadvertently lead to delayed project implementation for a change that might be relatively small in value. This is because tranches tend to be smaller in the latter years of an MYA and it is usually in the latter years after having implemented the bulk of the activities that countries will identify savings or required activities missed or not planned in the original national or sector plan. Definitions of major and minor changes should therefore continue to follow existing Executive Committee guidance.

4) Our second comment on para. 7 is for the last sentence which stipulates that any remaining funds should be returned to the Multilateral Fund upon closure of the last tranche. This, in our opinion, clearly contradicts the underlying principles of performance-based agreements. In fact this clause is reflective of the overall tendency of the draft agreement to increasingly depart from original performance-based principles. Once the target is met, funding should be released to the countries unconditionally, provided that the funds are being used for HCFC phase-out.

Long-term funding levels of a given plan are determined on the basis of best estimates. Article 5 countries have to take it upon themselves the risk that the funding level may not be sufficient. In such a case, there is no recourse for these countries, and if Article 5 countries fail to meet certain annual targets, this limited resource can be taken away as a penalty. Thus we fear that by requiring any remaining funds be returned to the MLF, countries will from the start have a perverse incentive to utilize funds inefficiently rather than take the time for careful planning and reprogramming.

If this is the approach that the Committee would like to pursue for the HCFC phase-out, new provisions should be added to ensure that agreements between the Executive Committee and Article 5 countries are

fair to both parties. These provisions would be: (i) additional resources should be provided to the countries when there is evidence confirming that the initial estimates are insufficient; and (ii) additional funds should be provided to the countries when country performance exceeds the agreed targets.

5) Para 1(a) of Appendix 4-A on the format of tranche implementation reports and plans: In regards to the first sentence which asks for “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.” This information should be limited to what is new to the original national or sector plan or previous year implementation reports.

6) Para 1(d) of Appendix 4-A on quantitative information to be submitted online: This quantitative information should be required only when a funding tranche request is made to the Executive Committee. There should be an appropriate balance between reporting on projects and actually implementing the projects. We draw your attention to the efforts made several years ago in the context of the online MYA overview tables to streamline reporting – not increase the reporting burden under the Multilateral Fund.

We would be happy to discuss with your staff the basis of our feedback if necessary.

[...]

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 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 which exceeds the level defined in row 1.2 of Appendix 2-A (maximum allowable total consumption of Annex C, Group I substances) 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 which exceeds the level defined in row[s] 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 (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 bilateral or 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 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 had submitted tranche implementation reports in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) covering each previous calendar year, that it had achieved a significant level of implementation of activities initiated with previously approved tranches, that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent, and that other approved tranches had been disbursed completely; and
- (d) That the Country has submitted and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (the “Format of Tranche Implementation Reports and Plans”) 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.

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 Implementation of the activities in the previous tranche implementation plan 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 sub-paragraph 5(b).

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 phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent 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:

- (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. [Lead agency name] has agreed to be the lead implementing agency (the “Lead IA”) and [Cooperating agency name] has/ have agreed to be cooperating implementing agency/agencies (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 implementing 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 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) 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 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 (US \$)							
3.3	Total agreed costs (US \$)							
4.1.1	Total phase-out of [substance 1] agreed to be achieved under this agreement (ODP tonnes)							
4.1.2	Phase-out of [substance 1] to be achieved in previously approved projects (ODP tonnes)							
4.1.3	Remaining eligible consumption for [substance 1] (ODP tonnes)							
4.2.1	Total phase-out of [substance 2] agreed to be achieved under this agreement (ODP tonnes)							
4.2.2	Phase-out of [substance 2] to be achieved in previously approved projects (ODP tonnes)							
4.2.3	Remaining eligible consumption for [substance 2] (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 into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. 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), 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 lead implementing 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. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the co-ordinating implementing agencies, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent 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 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 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.

APPENDIX 8-A: SECTOR SPECIFIC ARRANGEMENTS
