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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-eighth Meeting
Montreal, 15-19 November 2021[1]

PROJECT PROPOSAL: THE REPUBLIC OF MOLDOVA

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

<u>Phase-out</u>

- HCFC phase-out management plan (stage III, first tranche) UNDP and UNEP

[1] Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19)

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Republic of Moldova (the)

(I) PROJECT TITLE	**AGENCY**
HCFC phase-out plan (stage III)	UNDP (lead), UNEP

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2020	0.56 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year:** 2020
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.56				0.56

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.00	Starting point for sustained aggregate reductions:	1.00
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.35	Remaining:	0.65

(V) BUSINESS PLAN		**2021**	**2022**	**2023**	**Total**
UNDP	ODS phase-out (ODP tonnes)	0.09	0.13	0	0.22
	Funding (US $)	75,031	112,059	0	187,090
UNEP	ODS phase-out (ODP tonnes)	0.11	0.00	0.02	0.13
	Funding (US $)	40,741	0	32,593	73,334

(VI) PROJECT DATA			**2021**	**2022**	**2023**	**2024**	**2025-2026**	**2027**	**2028-2029**	**2030**	**Total**
Montreal Protocol consumption limits			0.65	0.65	0.65	0.65	0.33	0.33	0.33	0	n/a
Maximum allowable consumption (ODP tonnes)			0.65	0.58	0.50	0.43	0.33	0.33	0.33	0	n/a
Projects costs requested in principle (US $)	UNDP	Project costs	75,500	0	0	145,500	0	92,500	0	28,000	341,500
		Support costs	5,285	0	0	10,185	0	6,475	0	1,960	23,905
	UNEP	Project costs	51,500	0	0	49,500	0	23,000	0	22,000	146,000
		Support costs	6,695	0	0	6,435	0	2,990	0	2,860	18,980
Total project costs requested in principle (US $)			127,000	0	0	195,000	0	115,500	0	50,000	487,500
Total support costs requested in principle (US $)			11,980	0	0	16,620	0	9,465	0	4,820	42,885
Total funds requested in principle (US $)			138,980	0	0	211,620	0	124,965	0	54,820	530,385

(VII) Request for approval of funding for the first tranche (2021)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
UNDP	75,500	5,285
UNEP	51,500	6,695
Total	127,000	11,980

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. Stage III of the HCFC phase-out management plan (HPMP) for the Republic of Moldova was originally submitted for consideration at the 87th meeting.[2] During the intersessional approval process (IAP) established for that meeting, one member noted that to allow the Secretariat to evaluate fully the end-user incentive scheme which was a large component of the project, accounting for almost 60 per cent of the overall funding, information outlined in decision 84/84 should be provided. Subsequently, the Executive Committee deferred consideration of the project to the 88th meeting (decision 87/47).

2. In line with decision 87/47, on behalf of the Government of the Republic of Moldova, UNDP as the lead implementing agency, submitted a revised request for stage III of the HPMP, at a total cost of US $530,385, consisting of US $341,500, plus agency support costs of US $23,905 for UNDP, and US $146,000, plus agency support costs of US $18,980 for UNEP, as originally submitted.[3] The implementation of stage III of the HPMP will phase out the remaining consumption of HCFCs by 2030.

3. The first tranche of stage III of the HPMP being requested at this meeting amounts to US $138,655, consisting of US $71,500, plus agency support costs of US $5,005 for UNDP, and US $55,000, plus agency support costs of US $7,150 for UNEP, as submitted to the 88th meeting.

Status of implementation of stages I and II of the HPMP

4. Stage I of the HPMP was approved at the 63rd meeting[4] and revised at the 74th meeting[5] to meet the 10 per cent reduction from the baseline by 2015, at a total cost of US $88,000, plus agency support costs, to phase out 0.10 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. Stage I of the HPMP was completed on 31 December 2016.

5. Stage II of the HPMP was approved at the 77th meeting[6] to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $174,500, plus agency support costs, to phase out 0.25 ODP tonnes of HCFCs used in the RAC servicing sector. The third and final tranche of stage II was approved under the IAP established for the 86th meeting in December 2020; stage II will be completed by 31 December 2021.

<u>HCFC consumption</u>

6. The Government of the Republic of Moldova reported a consumption of 0.56 ODP tonnes of HCFC in 2020. The 2016-2020 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in the Republic of Moldova (2016-2020 Article 7 data)

HCFC-22	2016	2017	2018	2019	2020	Baseline
Metric tonnes (mt)	0.00	0.00	5.58	9.68	10.10	17.00
ODP tonnes	0.00	0.00	0.31	0.53	0.56	1.00

7. In 2016 and 2017, HCFCs were not imported into the country and stockpiles from previous years were used to meet domestic demand. In 2018, the Government issued an HCFC import quota of 0.61 ODP tonnes (11.00 mt) in June, after the approval by the Government on the national regulatory framework on

[2] UNEP/OzL.Pro/ExCom/87/35
[3] As per the letter of 26 July 2021 from the Ministry of Agriculture, Regional Development and Environment of the Republic of Moldova to UNDP.
[4] UNEP/OzL.Pro/ExCom/63/49
[5] Annex XVIII of document UNEP/OzL.Pro/ExCom/74/56
[6] UNEP/OzL.Pro/ExCom/77/58 and Annex XXIII of document UNEP/OzL.Pro/ExCom/77/76

quota allocation.[7] As a result of the depletion of the HCFC stockpiles in 2017, HCFC consumption increased to 0.56 ODP tonnes (10.10 mt) in 2020; however, this consumption was 44 per cent lower than the baseline for compliance. This reduction in consumption from the baseline is due to the continuous implementation of the activities in the refrigeration servicing sector included in stages I and II of the HPMP, *inter alia*, the ban on the import of HCFC-based equipment since October 2017; the adoption of HFC-based equipment; training of RAC technicians; the import of R-422D[8] as a drop-in substitute for HCFC-22; and the use of recovered HCFC-22 for servicing.

CP implementation report

8. The Government of the Republic of Moldova reported HCFC sector consumption data under the 2020 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

9. The verifier confirmed that the Government of the Republic of Moldova is implementing a licensing and quota system for HCFC imports and exports that ensures the country's compliance with the control targets set in the Agreement with the Executive Committee, and that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for the period 2015 to 2020 was correct (as shown in Table 1 above) and lower than the control targets for those years. The verifier recommended *inter alia* consultations with the customs authorities on the use of the correct Harmonized System codes for recording HCFC imports, ensuring that quotas issued for a specific calendar year expire by the end of that year, and greater coordination with exporting countries for ensuring that trade of HCFCs is monitored and controlled. These recommendations would be implemented during the final tranche of stage II and stage III.

<u>Status of progress and disbursement</u>

Legal framework

10. The national regulatory framework on quota allocation has been in place since 21 June 2018. The Governmental Decision number 589 outlines the legal aspects regarding the organization of work of the National Commission hosted by the Ministry of Agriculture, Regional Development and Environment (MoARDE), which reviews and controls the annual import quota allocation for HCFCs. The Government has approved the action plan of the HPMP covering the period 2016-2040, and the National Commission has approved annual import quotas below the Montreal Protocol targets as follows: 0.54 ODP tonnes for 2021, 0.48 ODP tonnes for 2022, 0.42 ODP tonnes for 2023, 0.36 ODP tonnes for 2024, and 0.30 ODP tonnes for 2025.

11. On 20 July 2020, the Government of the Republic of Moldova approved the draft law for the Accession to the Kigali Amendment, which has been submitted to Parliament for approval. Due to delays resulting from the COVID-19 pandemic, the ratification of the Kigali Amendment is expected in early 2022.

Refrigeration servicing sector

12. During the implementation of stage II, regulations to ban imports of equipment containing HCFCs were adopted on 27 October 2017; HCFC quotas were issued to importers; an e-based system for monitoring HCFC imports and exports was designed and is under advanced stages of finalisation; 86 customs and enforcement officers were trained, and 107 RAC technicians were trained and certified and

[7] Governmental Decision number 589 was adopted on 21 June 2018.

[8] An HFC blend containing HFC-125, HFC-134a and R-600a. A total of 4.80 mt, 2.36 mt, and 5.85 mt were imported in 2017, 2018 and 2019, respectively.

relevant training curriculum and guides were updated. The remaining activities under stage II under current implementation include: awareness raising relating to low-global-warming-potential (GWP) alternative refrigerants to replace HCFCs in commercial refrigeration, training and capacity building of servicing technicians and enforcement officers, finalisation of e-based data reporting system for HCFCs, and monitoring of HPMP implementation.

13. Two demonstration projects for using CO_2–based technology in the commercial refrigeration sector were completed and operational as of July 2020, and the results and lessons learned are being disseminated. The projects resulted in practical experience with CO_2–based technology for both the retail and warehouse commercial refrigeration sub-sectors, including demonstration of the capital costs required, applicability of the technology and performance of the equipment, and potential operational savings that could be achieved. As a result of the project, the largest national retailer, Linella, with over 100 supermarkets throughout the country, has expressed interest in applying CO_2–based technology.

Level of fund disbursement

14. As of August 2021, of the total funds of US $174,500 approved (US $122,300 for UNDP and US $52,200 for UNEP), US $158,695 had been disbursed (US $120,650 for UNDP and US $38,045 for UNEP), and US $1,642 has been returned at the 86th meeting. The balance of US $14,163 will be disbursed in 2021.

Stage III of the HPMP

Remaining consumption eligible for funding

15. After deducting 0.1 ODP tonnes of HCFCs associated with stage I of the HPMP, and 0.25 ODP tonnes associated with stage II, the remaining consumption eligible for funding in stage III amounts to 0.65 ODP tonnes.

Sector distribution of HCFCs

16. There are approximately 550 technicians and 150 workshops consuming HCFC-22 to service residential air-conditioners, and commercial, industrial and transport refrigeration equipment as shown in Table 2. HCFC-22 represents 6.1 per cent of the refrigerants used in the servicing sector; the other main refrigerants consumed included HFC-134a, R-404A, R-507A and R-507C.

Table 2. Sectoral distribution of HCFC-22 in the Republic of Moldova in 2020

Sector/Applications	**Number of units**	**Average refrigerant charge (kg/unit)**	**Average service charge (%)**	**Total (mt)**
Residential AC	4,465	1.0	5.0	0.23
Commercial refrigeration	4,660	5.2	14.9	3.60
Industrial refrigeration	434	89.7	15.1	5.88
Transport refrigeration	363	7.0	15.6	0.40
Total	**9,922**	**n/a**	**n/a**	**10.11**

Phase-out strategy in stage III of the HPMP

17. Stage III of the HPMP will follow a phase-out faster than the Montreal Protocol schedule. It has been designed based on the experience gained during the implementation of the previous stages and will focus on strengthening regulations and their enforcement for harmonization with European Union (EU) legislations; training and capacity building of service technicians, recovery and reclamation of HCFCs and an end-user incentive programme for adoption of low-GWP refrigerants in commercial and industrial

refrigeration applications; and awareness and information outreach for adoption of HCFC-free low-GWP refrigerants in different RAC applications and increasing general awareness on ozone layer protection.

Proposed activities in stage III of the HPMP

18. Stage III proposes the following activities:

(a) *Legal and regulatory measures*: New legislation and regulatory measures for implementation of HCFC quota system and harmonisation of national regulations with EU legislations including EU regulation 1005/2009, EU regulation 517/2014 and 2015/2067 on minimum requirements and the conditions for mutual recognition for the certification of servicing technicians; feasibility study on economic instruments to discourage use of HCFC-22 in equipment and financing schemes for adopting low-GWP alternatives, including stakeholder consultation; web-based electronic reporting and licensing system for HCFCs, including training for importers, distribution companies selling refrigerants in the market, end-users and public institutions (i.e., MoARDE) (UNEP) (US $29,000);

(b) *Capacity building of customs and enforcement officers*: Updating training curricula and training materials for customs and enforcement officers; four training workshops for 80 customs and enforcement officers on enforcement of regulations for controlling and monitoring HCFCs; and third edition of the "Handbook for Customs and Enforcement Officers" (UNEP) (US $20,000);

(c) *Capacity building of refrigeration technicians and environmental inspectors*: Training of one national expert trainer on safe use of low-GWP alternative technologies; updating training curricula and distributing training materials for refrigeration technicians and environmental inspectors; eight training workshops and certification of 120 refrigeration technicians on good service practices and safe use of HCFC-free low-GWP alternatives; four training workshops for 80 environmental inspectors on inspection to control leakage of large HCFC-based refrigeration equipment (UNEP) (US $52,000);

(d) *Equipment support for leak detection for environmental inspectors:* Supply of 40 sets of electronic leak detectors to the Inspectorate for Environment Protection Territorial Agencies and Inspections for inspection of leakage in large capacity RAC equipment (UNDP) (US $10,000);

(e) *Recovery, recycling, and reclamation (RRR) programme*: Recruitment of a consultant for design of specifications of RRR equipment, procurement support and development of guidelines for the RRR scheme; procedures and steps for equipment registration and leak checks for service technicians and equipment owners/operators, and training for adoption by the technicians and equipment owners/operators; an incentive system for replacement of HCFC-based equipment with low-GWP-refrigerant-based equipment; procurement of RRR equipment (e.g., reclamation machine, cylinders, vacuum pumps, recovery machines); implementation of two training workshops for service technicians/equipment owners/operators/importers, to introduce the guidelines for the RRR scheme and raise awareness on the incentive system on replacement of HCFC-based equipment with low-GWP technologies (UNDP) (US $45,000);

(f) *Development and implementation of equipment incentive programme for the adoption of low-GWP technologies*: Recruitment of national consultant(s) to provide technical and consultative expertise related to scaling up the CO_2 technology in the supermarket and cold storage sector, and demonstrating technologies based on other natural refrigerants (e.g., HC-based, ammonia); assembly of at least two commercial refrigeration installations based on HC-refrigerants (i.e., HC-290 or HC-1270) and at least two industrial refrigeration installation based on ammonia (R-717); implementation of five awareness workshops for scaling up the CO_2 technology and on the demonstration programme on other natural refrigerants; awareness programmes for dissemination of results and scaling up the technologies after completing the installations with alternative refrigerants (UNDP) (US $286,500);

(g) *Strengthening the Public Association of Refrigeration Technicians*: Development of materials to raise awareness on HCFC-free low-GWP alternatives; and holding four roundtables to promote adoption of HCFC alternative technologies (UNEP) (US $24,000); and

(h) *Technical capacity development measures for adoption of low-GWP refrigerants and awareness and information outreach*: Feasibility study on the benefits of improved cooling efficiency and sustainability, including stakeholder consultation; cooperation with the State Hydrometeorological Service for including ultraviolet (UV) radiation index and stratospheric ozone observations in the weather forecasts (UNEP) (US $10,000).

Project implementation and monitoring

19. The system established under stage II of the HPMP will continue into stage III, where the national ozone unit (NOU), UNDP and UNEP monitor activities, report progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US $11,000 for UNEP.

Gender policy implementation

20. Stage III of the HPMP has been developed in line with decision 84/92(d),[9] and based on the study that was undertaken during stage II to map gender roles and look for opportunities to improve the gender balance in the RAC servicing sector and assess ways to encourage and maximize the participation of female practitioners in different activities (e.g., training courses, workshops, and other capacity-building activities). There are approximately 150 female customs and enforcement officers working in the country. In addition, the NOU would monitor and report gender-disaggregated data on project activities, introduce gender sensitive language in communication, business operations and recruitment process, and compare women involvement in different activities against the targets.

<u>Total cost of stage III of the HPMP</u>

21. The total cost of stage III of the HPMP for the Republic of Moldova has been estimated at US $487,500 (plus agency support costs), as originally submitted, for achieving 67.5 per cent reduction from its HCFC baseline consumption by 2025 and 100 per cent by 2030. The proposed activities and cost breakdown are summarized in Table 3.

Table 3. Total cost of stage III of the HPMP for the Republic of Moldova as submitted

Activity	Agency	Cost (US $)
Legal and regulatory measures	UNEP	29,000
Capacity building of customs and enforcement officers	UNEP	20,000
Capacity building of refrigeration technicians and environmental inspectors	UNEP	52,000
Equipment support for leak detection for environmental inspectors	UNDP	10,000
Recovery, recycling and reclamation programme	UNDP	45,000

[9] Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Activity	Agency	Cost (US $)
Development and implementation of equipment incentive programme for the adoption of low-GWP technologies	UNDP	286,500
Strengthening the Public Association of Refrigeration Technicians	UNEP	24,000
Technical capacity development measures for adoption of low-GWP refrigerants and awareness and information outreach	UNEP	10,000
Monitoring and reporting	UNEP	11,000
Total		**487,500**

Activities planned for the first tranche of stage III

22. The first funding tranche of stage III of the HPMP, at the total amount of US $126,500, will be implemented between January 2022 and December 2024 and will include the following activities:

(a) *Legal and regulatory measures*: Drafting and issuing new legislation and regulatory measures for harmonising with the EU regulations mentioned above; feasibility study on economic instruments and financing schemes for adopting low-GWP alternatives, including stakeholder consultation; establishing a web-based electronic reporting and licensing system for HCFCs, including training for importers, distribution companies selling refrigerants in the market, end-users and public institutions (i.e., MoARDE) (UNEP) (US $21,500);

(b) *Capacity building for customs and enforcement officers*: Updating training curriculum and training materials for customs and enforcement officers; one training workshop for 20 customs and enforcement officers on controlling and monitoring HCFC imports; (UNEP) (US $4,000);

(c) *Capacity building for refrigeration technicians and environmental inspectors*: Updating training curricula and distributing training materials for refrigeration technicians and environment inspectors; two training workshops and certification of 30 refrigeration technicians on good service practices and support for skill upgrade of one specialised trainer on safe use of alternative technologies; and one training workshop for 20 environmental inspectors on inspection of HCFC leaks in commercial and industrial refrigeration equipment (UNEP) (US $10,500);

(d) *Equipment support for leak detection for environmental inspectors*: Supply of 40 sets of electronic leak detectors to the Inspectorate for Environment Protection Territorial Agencies and Inspections (UNDP) (US $10,000);

(e) *Recovery, recycling, and reclamation programme:* Recruitment of a consultant to provide technical expertise on RRR activities, including guidelines for checking RAC equipment during recovery and procedures to be followed; procurement of RRR equipment (e.g., reclamation units, vacuum pumps, refrigerant cylinders, other tools for recovery, recycling and reclamation); two training workshops for service technicians/equipment owners/operators/importers, to introduce the guidelines developed for the RRR scheme and raise awareness on the incentive system on replacement of HCFC–based equipment with low-GWP-based refrigerants (UNDP) (US $45,000);

(f) *Development and implementation of equipment incentive programme for the adoption of low-GWP technologies*: Recruitment of national consultants to provide technical and consultative expertise to identify eligible companies willing to participate in an incentive programme for scaling up the CO_2 technology in supermarket and cold storage sector, and other natural refrigerants in commercial and industrial refrigeration applications; one awareness workshop on the incentive programme for scaling up the low-GWP natural refrigerants technologies (UNDP) (US $16,500);

(g) *Strengthening the Public Association of the Refrigeration Technicians*: Development and publishing of awareness raising materials on HPMP implementation and low-GWP alternative technologies to be disseminated by the Public Association of the Refrigeration Technicians during its awareness raising events for members; one technology roundtable/exhibition booth on different HCFC-free alternatives organized with the support of Public Association of the Refrigeration Technicians, in cooperation with service sector enterprises, technical institutions training service technicians, regulatory institutions dealing with service enterprises and end-users (UNEP) (US $6,000);

(h) *Technical capacity development measures for adoption of low-GWP refrigerants and awareness and information outreach*: Conduct of a feasibility study on the benefits of improved cooling efficiency and sustainability to ensure proper operating conditions and to reduce refrigerant leakage rates and reduce energy use, and dissemination of the benefits to end-users in commercial and industrial refrigeration applications; cooperation with the State Hydrometeorological Service for including UV radiation index and stratospheric ozone observations in the weather forecasts (UNEP) (US $10,000); and

(i) *Coordination, management and monitoring* (UNEP) (US $3,000): Project management, monitoring and reporting budgets on staff/consultant component.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

23. The Secretariat reviewed stage III of the HPMP in light of stage II, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage III of HPMPs (decision 74/50), and the 2021-2023 business plan of the Multilateral Fund.

Overarching strategy

24. The Government of the Republic of Moldova proposes to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFC in the period of 2030 to 2040 consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.[10] To achieve the above targets, the Government would continue strengthening implementation of regulations to control supply of HCFCs, strictly enforce regulations to prohibit import of HCFC-based RAC equipment, undertake capacity building and training of refrigeration technicians and the refrigeration association, implement recovery and reclamation programme for HCFCs and implement awareness and outreach programmes for the adoption of low-GWP alternatives; the Government has also indicated that it expects to maintain consumption well below the stage III targets for the period 2022 to 2030.

25. In line with decision 86/51 on this matter, to allow for consideration of the final tranche of its HPMP, the Government of the Republic of Moldova agreed to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the 2030-2040 period, and the expected annual HCFC consumption in the Republic of Moldova for the 2030-2040 period.

[10] HCFC consumption may exceed zero in any year so long as the sum of its calculated levels of consumption over the ten-year period from 1 January 2030 to 1 January 2040 divided by 10, does not exceed 2.5 per cent of the HCFC baseline.

26. The Government has issued quota for 2021 for 0.54 ODP tonnes to five importers, which is below the Montreal Protocol control targets and the maximum allowable consumption.

27. The Secretariat discussed with UNDP on the consumption targets for 2021 to 2025 noting that the quota issued for 2021 of 0.54 ODP tonnes is lower than Montreal Protocol target for that year (0.65 ODP tonnes). After consultation, the Government agreed to revise its target for the period from 2021 to 2024 to 0.65 ODP tonnes, 0.58 ODP tonnes, 0.50 ODP tonnes and 0.43 ODP tonnes, respectively, as it would prefer to have a "safety stock" above its quota levels for those years.

Technical and cost-related issues

28. Upon a request for clarification on the RRR programme, UNDP explained that the Republic of Moldova has enforced Law 852 that prohibits emissions of refrigerants and mandates recovery of refrigerants while servicing RAC equipment; the proposed RRR programme would help in implementation of this regulation and facilitate removal of impurities in the recovered HCFC refrigerants. With the price of HCFC-22 at over US $17, continued decrease in supply of HCFC-22, and a supportive regulatory mechanism for promoting recovery and reclamation of refrigerant, this project is expected to result in maximising recovery and reclamation of HCFC-22. UNDP explained that the incentive system would result in replacement of HCFC-based equipment, mainly commercial and industrial refrigeration equipment, with low-GWP alternative technologies and during such replacement, HCFC refrigerants would be recovered and reclaimed.

29. The Secretariat reviewed the proposal for end-user incentive in light of decision 84/84 and requested additional information from UNDP in relation to the conditions specified in the decision. UNDP explained that these projects would help the end-users to progressively adopt low-GWP alternatives; the Government is planning to implement regulations to prohibit use of refrigerants with GWP above 150 in commercial refrigeration equipment by 1 January 2025. After ratification of the Kigali Amendment which is expected by early 2022, additional measures will be issued to prohibit adoption of and replace high-GWP HFC refrigerant-based equipment in the country; the MoARDE is closely involved and would be periodically consulted on implementation of this programme. The incentive programme is expected to promote adoption of low-GWP refrigerants in commercial and industrial refrigeration equipment wherein the current population of equipment using HCFC-22 is about 4,660 and 434 pieces, respectively. The level of co-financing for the end-user incentive would be about 45 to 55 per cent demonstrating commitment from the beneficiaries on implementing these technologies. The awareness and outreach programmes on the technologies and results of the end-user incentive programme would help in disseminating the results of adopting these technologies; training and capacity building activities would result in safe adoption of these technologies. The project would build on experience gained in implementing the demonstration project using CO_2-based technology during stage II of the HPMP and scale-up adoption of other low-GWP technologies; furthermore, training, capacity building and certification of technicians implemented during stages II and III of the HPMP would support safe adoption of these technologies.

30. The Secretariat requested additional clarifications relating to the need for demonstration of technologies in industrial refrigeration as ammonia is widely used as a refrigerant and available to such users. UNDP, after having consultations with the national stakeholders and the Government, agreed that the end-user incentive programme will cover only two medium and two large commercial refrigeration equipment users, at a reduced cost of US $183,500 (from US $286,500). UNDP will submit detailed reports on the results of the incentive schemes for end-users once the projects have been completed, to allow the Secretariat to develop fact sheets to inform future projects, in line with decision 84/84(d).

31. The balance of US $103,000 from the originally proposed incentive programme, together with the savings of US $1,000 in the component on equipment support for leak detection for environmental inspectors (procurement of 36 instead of 40 electronic leak detectors) will be used for: increasing the number of training and information outreach programmes for adoption of RRR from two to eight and

updating technical information on RRR programme (US $17,000); additional training equipment (e.g., training boards, recovery machines, vacuum pumps and service tools) for three training institutions (US $45,000), support for 15 technicians for servicing equipment (e.g., charging station/vacuum pump, welding kit, hoses kit, leak detector) (US $37,500); and technical support for awareness and outreach programmes for promoting adoption recovery and reclamation programme and low-GWP technologies in commercial applications (US $4,500).

32. The revised funding distribution for the different components, as agreed with UNDP, is presented in Table 4.

Table 4. Revised cost allocation by activity of stage III of the HPMP for the Republic of Moldova

Activity	**Agency**	**Original (US $)**	**Revised (US $)**
Legal and regulatory measures	UNEP	29,000	29,000
Capacity building of customs and enforcement officers	UNEP	20,000	20,000
Capacity building of refrigeration technicians and environmental inspectors	UNEP	52,000	52,000
Equipment support for leak detection for environmental inspectors	UNDP	10,000	9,000
Equipment support to service technicians and technical institutions for good service practices and adopting low-GWP technologies	UNDP	0	82,500
Recovery, recycling and reclamation programme	UNDP	45,000	66,500
Development and implementation of equipment incentive programme for the adoption of low-GWP technologies	UNDP	286,500	183,500
Strengthening the Public Association of Refrigeration Technicians	UNEP	24,000	24,000
Technical capacity development measures for adoption of low-GWP refrigerants and awareness and information outreach	UNEP	10,000	10,000
Monitoring and reporting	UNEP	11,000	11,000
Total		**487,500**	**487,500**

33. Keeping in view the activity revisions and expected timelines for the implementation of the project components, the tranche distribution for stage III of the HPMP was adjusted as shown in Table 5.

Table 5. Original and revised tranche distribution for stage III of the HPMP for the Republic of Moldova (US $)

Funding by agency	**2021**	**2024**	**2027**	**2030**	**Total**
As submitted					
UNDP	71,500	169,000	72,500	28,500	341,500
UNEP	55,000	47,000	23,500	20,500	146,000
Total as submitted	**126,500**	**216,000**	**96,000**	**49,000**	**487,500**
Revised					
UNDP	75,500	145,500	92,500	28,000	341,500
UNEP	51,500	49,500	23,000	22,000	146,000
Total as revised	**127,000**	**195,000**	**115,500**	**50,000**	**487,500**

Activities planned for the first tranche

34. The funding for the first tranche was revised as per Table 5 above. After discussion with UNDP, it was agreed that the different activities would be implemented until December 2023, and their funding was revised as follows:

(a) *Legal and regulatory measures*: same activities as submitted (US $21,500);

(b) *Capacity building for customs and enforcement officers*: same activities as submitted (US $3,500);

(c) *Capacity building for refrigeration technicians and environmental inspectors*: same activities as submitted (US $10,500);

(d) *Equipment support for leak detection for environmental inspectors*: Supply of 36 sets of electronic leak detectors to environmental inspectors (US $9,000);

(e) *Recovery, recycling and reclamation programme*: same activities as submitted (US $45,500);

(f) *Development and implementation of equipment incentive programme for the adoption of low-GWP technologies*: Undertake a study that would identify the number of eligible end-users willing to participate in the incentive programme for scaling up the low-GWP technologies in supermarkets and other commercial applications such as cold storage; based on results of the study, develop and implement an awareness programme for the incentive programme in respective sectors including organization of a workshop (US $21,000);

(g) *Strengthening the Public Association of the Refrigeration Technicians*: Updating, translation and reproduction and dissemination of technology information; one technology roundtable/exhibition booth on HCFC alternatives organized with support of Public Association of the Refrigeration Technicians, in cooperation with service sector enterprises, technical institutions training service technicians, regulatory institutions dealing with service enterprises and end-users (US $6,000);

(h) *Technical capacity development measures for adoption of low-GWP refrigerants and awareness and information outreach*: Feasibility study on the benefits of improved cooling efficiency and sustainability, including stakeholder consultation; cooperation with the State Hydrometeorological Service for UV radiation index and stratospheric ozone observations in the weather forecasts (US $7,000); and

(i) *Coordination, management and monitoring* (UNEP) (US $3,000).

Total project cost

35. The total cost for stage III of the HPMP amounts to US $487,500, based on decision 74/50(c)(xii).

Impact of the COVID-19 pandemic on HPMP implementation

36. In 2020, the COVID-19 pandemic has affected the implementation of several activities included in stage II of the HPMP. The Government of the Republic of Moldova proposes to complete the training of service technicians and enforcement officers and information outreach on good servicing practices and safe adoption of HCFC-free alternatives, by the end of 2021 as planned. Remaining activities related to the implementation of regulatory measures, finalisation of a web-based HCFC licensing system will be

completed during implementation of stage III. The Government would also initiate the overall project planning for stage III, consultations with stakeholders on updating regulations and implementation of licensing system; implementation of training for enforcement officers and service sector and studies for end-user incentive programme; development of awareness and information outreach materials. The implementation of the activities of the first tranche of stage III has already taken into account the constraints imposed by the pandemic so that they could be completed in a timely manner.

Impact on the climate

37. The proposed activities in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO_2-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by the Government of Moldova, including its efforts to promote low-GWP alternative technologies and the RRR programme, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

38. UNDP explained that between 45 and 55 per cent co-financing would be provided for the end-user incentive programme proposed under stage III. There is no other co-financing information available on the proposed projects at this stage; and additional information relating to co-financing would be provided during future tranche implementation.

2021-2023 draft business plan of the Multilateral Fund

39. UNDP and UNEP are requesting US $487,500, plus agency support costs, for the implementation of stage III of the HPMP for the Republic of Moldova. The total requested value of US $138,980, including agency support costs for the period of 2021–2023, is US $121,444 below the amount in the business plan.

Draft Agreement

40. A draft Agreement between the Government of the Republic of Moldova and the Executive Committee for the phase-out of HCFCs in stage III of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

41. The Executive Committee may wish to consider:

(a) Approving, in principle, stage III of the HCFC phase-out management plan (HPMP) for the Republic of Moldova for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $530,385, consisting of US $341,500, plus agency support costs of US $23,905 for UNDP, and US $146,000, plus agency support costs of US $18,980 for UNEP, on the understanding that no more funding from the Multilateral Fund would be provided for the phase-out of HCFCs;

(b) Noting the commitment of the Government of the Republic of Moldova to reduce HCFC consumption by 35 per cent by 2021, 42 per cent by 2022, 50 per cent by 2023, 57 per cent by 2024, and 67.5 per cent by 2025 and phase out HCFCs completely by 1 January 2030, and that HCFCs would not be imported after that date, except for those allowed for a servicing tail between 2030 and 2040 where required, consistent with the provisions of the Montreal Protocol;

(c) Deducting 0.65 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(d) Approving the draft Agreement between the Government of the Republic of Moldova and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage III of the HPMP, contained in Annex I to the present document;

(e) That, to allow for consideration of the final tranche of its HPMP, the Government of the Republic of Moldova should submit:

  (i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040;

  (ii) The expected annual HCFC consumption in the Republic of Moldova for the period 2030-2040;

(f) Further noting that UNDP will submit detailed reports on the results of the incentive schemes for end-users in commercial refrigeration equipment once they have been completed, to allow the Secretariat to develop fact sheets to inform future projects, in line with decision 84/84(d); and

(g) Approving the first tranche of stage III of the HPMP for the Republic of Moldova, and the corresponding tranche implementation plans, in the amount of US $138,980, consisting of US $75,500, plus agency support costs of US $5,285 for UNDP, and US $51,500, plus agency support costs of US $6,695 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF MOLDOVA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE III OF THE HCFC PHASE-OUT MANAGEMENT PLAN

Purpose

1. This Agreement represents the understanding of the Government of the Republic of Moldova (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 zero ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A ("The Targets, and Funding") in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).

3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A ("Funding Approval Schedule").

4. The Country agrees to implement this Agreement in accordance with the stage III of the HCFC phase-out management plan (HPMP) approved ("the Plan"). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;

(b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

(c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A ("Format of Tranche Implementation Reports and Plans") covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

(d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

Flexibility in the reallocation of funds

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

(a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:

(i) Issues potentially concerning the rules and policies of the Multilateral Fund;

(ii) Changes which would modify any clause of this Agreement;

(iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;

(iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche; and

(v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;

(b) 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 subsequent Tranche Implementation Report; and

(c) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

Considerations for the refrigeration servicing sector

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, 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 relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

Bilateral and implementing agencies

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. UNDP has agreed to be the lead implementing agency (the "Lead IA") and UNEP has agreed to be the 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 the Lead IA and/or Cooperating IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The Cooperating IA will support the Lead IA by implementing the Plan under the overall co-ordination of the Lead IA. The roles of the Lead IA and Cooperating IA are contained in Appendix 6-A and Appendix 6-B, respectively. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 2.2 and 2.4 of Appendix 2-A.

Non-compliance with the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A ("Reductions in Funding for Failure to Comply") in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions 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 the information necessary to verify compliance with this Agreement.

Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

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

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	1.00

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2021	2022	2023	2024	2025-2026	2027	2028-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.65	0.65	0.65	0.65	0.33	0.33	0.33	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.65	0.58	0.50	0.43	0.33	0.33	0.33	0	n/a
2.1	Lead IA (UNDP) agreed funding (US $)	75,500	0	0	145,500	0	92,500	0	28,000	341,500
2.2	Support costs for Lead IA (US $)	5,285	0	0	10,185	0	6,475	0	1,960	23,905
2.3	Cooperating IA (UNEP) agreed funding (US $)	51,500	0	0	49,500	0	23,000	0	22,000	146,000
2.4	Support costs for Cooperating IA (US $)	6,695	0	0	6,435	0	2,990	0	2,860	18,980

Row	Particulars	2021	2022	2023	2024	2025-2026	2027	2028-2029	2030	Total
3.1	Total agreed funding (US $)	127,000	0	0	195,000	0	115,500	0	50,000	487,500
3.2	Total support costs (US $)	11,980	0	0	16,620	0	9,465	0	4,820	42,885
3.3	Total agreed costs (US $)	138,980	0	0	211,620	0	124,965	0	54,820	530,385
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)									0.65
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stages (ODP tonnes)									0.35
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)									0.00

*Date of completion of stage II as per stage II Agreement: 31 December 2021.

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first 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 Plans for each tranche request will consist of five parts:

(a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;

(b) An independent verification report of the Plan results and the consumption of the Substances, 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 during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;

(d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

(e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

(a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and

(b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Plan will be implemented by the national Montreal Protocol Unit (MPU) of the Public Institution “Environmental Projects Implementation Unit” (P.I. “EPIU”) subordinated to the Ministry of Agriculture, Regional Development and Environment (MoARDE) of the Republic of Moldova, with support from the Lead IA and the Cooperating IA. The national MPU of P.I. “EPIU” will function as coordinator of all project activities described in the Plan.

2. The IAs will apply their administrative procedures towards implementation of the Plan. The Lead IA will use national implementation modality based on establishment of annual work plans and utilization of the Lead IA’s procurement functions for the delivery of equipment and tools planned in the Plan. The Cooperating IA will utilize its standard operating procedure on small-scale funding agreements with the national MPU of the P.I. “EPIU”. Regular monitoring of compliance with the work plans are ensured by both IAs.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:

(a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country’s HPMP;

(b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;

(c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche 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 Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee, and should include the activities implemented by the Cooperating IA;

(f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HCFC consumption targets had been met;

(g) Ensuring that appropriate independent technical experts carry out the technical reviews;

(h) Carrying out required supervision missions;

(i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;

(j) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;

(k) 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 Cooperating IA, the allocation of the reductions to the different budget items and to the funding of the Lead IA and each Cooperating IA;

(l) Ensuring that disbursements made to the Country are based on the use of the indicators;

(m) Providing assistance with policy, management and technical support when required;

(n) Reaching consensus with the Cooperating IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan; and

(o) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the Plan, including at least the following:

(a) Providing assistance for policy development 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;

(c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A; and

(d) Reaching consensus with the Lead IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US $180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.