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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-sixth Meeting
Montreal, 2-6 November 2020
Postponed to 8-12 March 2021[1]

PROJECT PROPOSALS: NEPAL

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

<u>Phase-out</u>

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

[1] Due to coronavirus disease (COVID-19)

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Nepal

(I) PROJECT TITLE	**AGENCY**	**MEETING APPROVED**	**CONTROL MEASURE**
HCFC phase-out plan (Stage I)	UNDP, UNEP (lead)	62nd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2019	0.64 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year: 2019**
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.64				0.64

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.10	Starting point for sustained aggregate reductions:	1.27
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.64	Remaining:	0.63

(V) BUSINESS PLAN		**2020**	**Total**
UNDP	ODS phase-out (ODP tonnes)	0.03	0.03
	Funding (US $)	9,156	9,156
UNEP	ODS phase-out (ODP tonnes)	0.04	0.04
	Funding (US $)	14,238	14,238

(VI) PROJECT DATA			**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Montreal Protocol consumption limits			n/a	n/a	1.10	1.10	0.99	0.99	0.99	0.99	0.99	0.72	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	1.10	1.10	0.99	0.99	0.99	0.99	0.99	0.72	n/a
Agreed funding (US $)	UNDP	Project costs	0	42,000	0	0	33,600	0	0	0	0	8,400	84,000
		Support costs	0	3,780	0	0	3,024	0	0	0	0	756	7,560
	UNEP	Project costs	0	63,000	0	0	50,400	0	0	0	0	12,600	126,000
		Support costs	0	8,190	0	0	6,552	0	0	0	0	1,638	16,380
Funds approved by ExCom (US $)		Project costs	0	105,000	0	0	84,000	0	0	0	0	0	189,000
		Support costs	0	11,970	0	0	9,576	0	0	0	0	0	21,546
Total funds requested for approval at this meeting (US $)		Project costs	0	0	0	0	0	0	0	0	0	21,000	21,000
		Support costs	0	0	0	0	0	0	0	0	0	2,394	2,394

Secretariat's recommendation:	Blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of Nepal, UNEP as the lead implementing agency has submitted a request for funding for the third and final tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US $23,394, consisting of US $12,600, plus agency support costs of US $1,638 for UNEP, and US $8,400, plus agency support costs of US $756 for UNDP.[2] The submission includes a progress report on the implementation of the second tranche, the verification report of HCFC consumption from 2015 to 2019, and the tranche implementation plan for 2020 to 2021.

Report on HCFC consumption

2. The Government of Nepal reported a consumption of 0.64 ODP tonnes of HCFC in 2019, which is 42 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Nepal (2015-2019 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	Baseline
Metric tonnes (mt)	10.00	14.48	11.59	15.04	11.70	20.00
ODP tonnes	0.55	0.80	0.64	0.83	0.64	1.10

3. In 2015, Nepal experienced a severe earthquake, which drove the HCFC consumption down as only one importer was able to use the quota that year; in 2016, HCFC consumption increased due to the recovery in the tourism and hospitality sector, and a post-earthquake boom in construction including new cold storage facilities (especially in the dairy sector).

4. In 2017 and 2019 HCFC consignments without corresponding import licenses were confiscated by Customs. The 2.50 mt (0.14 ODP tonnes) of HCFC-22 seized in 2017 were aggregated with HCFCs in custody since 2004 and auctioned to registered importers in 2018 and the 2.50 mt consumption was reported in the 2018 Article 7 data. The 0.44 mt (0.02 ODP tonnes) of HCFC-22 seized in 2019 were auctioned and reported under Article 7 in the same year. The Government of Nepal has a strict monitoring system which allows Customs to identify non-authorized consignments and proceed with their confiscation. The system also allows for confiscated imports, when auctioned, to be adjusted against importers' quotas for that year.

CP implementation report

5. The Government of Nepal has reported HCFC sector consumption data under the 2019 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

6. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports capable of ensuring the country's compliance with the HCFC phase-out schedule and that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2017 to 2019 was correct (as shown in Table 1 above). However, discrepancies were observed between the verified data on actual imports for 2015 and 2016, and the data reported under Article 7 and in the CP implementation reports: 0.11 ODP tonnes verified as compared to 0.55 ODP tonnes reported for 2015; and 0.84 ODP tonnes verified as compared to 0.80 ODP tonnes reported for 2016.

7. The discrepancies were due to challenges associated with the 2015 earthquake where borders were blocked for more than six months. Since there was no possibility of cross-checking imports through Customs, discussions were carried out with the main stakeholder to estimate the country's consumption

[2] As per the letter of 20 July 2020 from the Ministry of Industry Commerce and Supplies of Nepal to UNEP.

based on market conditions and then reported as the Article 7 data. The verifier found that only 2.00 mt of HCFC-22 were released by Customs to an importer according to its annual quota assignment for 2015, but 6.16 mt from the same shipment were kept in the port until released upon recommendation of the Ministry of Environment in 2016. Furthermore, in 2016 some consignments of HCFC-22 were entered with the wrong codes or without the required recommendation letter and were not accounted for in the Article 7 report. UNEP indicated that the Government of Nepal has initiated action to revise their 2015 and 2016 Article 7 data on 7 October 2020 and submitted the corresponding revised CP data to the Multilateral Fund Secretariat on 23 August 2020.

8. The verification concluded that Nepal should refine the standard operating procedures for the ODS licensing system in order to improve the reproducibility and accuracy of records of the approval mechanism; enforce a reporting system for various stakeholders; monitor the market for refrigerants and HCFC-based equipment; change the risk profile analysis for all shipments of ODS and ODS-containing products to be fully inspected at the entry point; provide ODS identifiers to all import control points; and continue programmes to disseminate awareness of ODS regulations, procedures and enforcement mechanisms. UNEP confirmed that the Government of Nepal would address the recommendations in the third and final tranche of stage I and in stage II of the HPMP.

<u>Progress report on the implementation of the second tranche of the HPMP</u>

Legal framework

9. The Government through the Ministry of Forest and Environment continues to enforce the licensing and quota system for HCFCs through the Ozone Depleting Substance (ODS) Consumption (Control) Rules promulgated in 2001, with the HCFC quota system in place since January 2014. The Government issued a policy to ban the import of HCFC-based equipment since 1 January 2017. Since 1 January 2018, there is a licensing requirement to import HFCs and its blends, though a quota system has not yet been in place for their import. In 2014, the country also adopted international standards for operation, maintenance, repair and recovery of flammable technologies to be followed by refrigeration and air-conditioning (RAC) technicians and installers.

10. Seventy-seven customs officers attended training on enforcement procedures for ODS trade controls, organized jointly by the national ozone unit (NOU) and the Customs Department during the second tranche resulting in a total of 210 customs and enforcement officers trained through 11 enforcement training sessions under the first two tranches. The manual on the national regulations and the import and export licensing system, published in 2013, was amended in 2015. The country began implementing the Harmonized System (HS) Codes for identification of HCFC and HFC blends in May 2020. Two regional border dialogues were conducted with neighbouring countries (Bangladesh, Bhutan, China, India and Myanmar). Two refrigerant identifiers were provided, one to the Customs Department and the other to the NOU.

11. Import of ODS other than HCFCs have been banned since 2010. The Customs Department maintains an HS-code-based tracking system, to monitor the import of all controlled substances. Proper checks and technical notes are available in the Customs' data entry system to issue alerts regarding all ODS consignments. To date, no suspicious shipments have been found containing these phased out substances; the Government is not aware of any market presence or stockpiles of these phased-out substances.

Refrigeration servicing sector

12. In the second tranche, eight master trainers received specialized training in China, focused on good practices and safe use of flammable technology in RAC equipment, including theoretical and extensive practical sessions for handling alternative refrigerants such as R-290 and R-744. Moreover, 130 technicians and 30 trainers were trained on good servicing practices including recovery and reuse of HCFCs, on safe

handling of low-global-warming potential (GWP) flammable refrigerants, and on matters related to energy efficiency of RAC equipment. As a result, master trainers were able to work more efficiently with the latest technology and to update the technician training in Nepal. Cumulatively, 16 training workshops on good practices for servicing technicians have been conducted for a total of 347 trained technicians.

13. Stage I included a replacement incentive programme to support and promote low-GWP technology in domestic and commercial air-conditioning; it is based on the capacity of equipment to be replaced (i.e., for 1.0 tonne of capacity, the subsidy is US $150; for 1.5 tonnes, US $220; and for 2.0 tonnes, US $300); co-financing is provided by the end-users for the remaining cost of the equipment. However, due to lack of low-GWP options in the market, the programme was delayed and subsequently modified in 2018 to involve equipment sellers and retailers in identifying potential beneficiaries. As a result, 86 residential HCFC-based air-conditioners were replaced with HFC-32-based and R-290-based units; it is expected that an additional 14 units will be replaced by December 2021.

14. Tools and equipment were distributed to 30 servicing workshops/technicians and technical training institutes in eight provinces for training activities in August 2018 (i.e., 50 vacuum pumps, 50 gauge manifolds, four recovery machines, six tools kits, one electronic leak detector, and eight recovery cylinders).

15. Outreach activities were focused on enhancing awareness of different stakeholders, e.g., importers, HCFC-based equipment users, servicing workshops, refrigeration and electro-mechanical associations, manufacturers, universities, Customs, non-governmental organizations, and media houses. Information materials to encourage the HCFC phase-out were produced tailored to specific circumstances and distributed to stakeholders. Three stakeholders' workshops were carried out to promote ozone-friendly and more energy-efficient RAC equipment, two for the media and one for college youth.

Project implementation and monitoring

16. The NOU continued to coordinate activities under the HPMP, including training workshops for enforcement agencies and the RAC servicing sector; preparing technical and financial status reports; providing logistical support for supervision missions; providing support to ensure the enforcement of relevant laws, regulations, and monitoring and control. The funds were used for internal travel for monitoring (US $3,000) and for hiring of short-term experts for specific activities (US $3,500).

Level of fund disbursement

17. As of June 2020, of the US $189,000 approved so far, US $167,815 had been disbursed (US $103,900 for UNEP and US $63,915 for UNDP), as shown in Table 2. The balance of US $21,185 will be fully disbursed in 2020.

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

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNEP	63,000	63,000	50,400	40,900	113,400	103,900
UNDP	42,000	42,000	33,600	21,915	75,600	63,915
Total	105,000	105,000	84,000	62,815	189,000	167,815
Disbursement rate (%)	100.0		74.7		88.8	

Implementation plan for the third and final tranche of stage I of the HPMP

18. The following activities will be implemented between December 2020 and December 2021:

(a) *HCFC phase-out policies, customs and enforcement*: Two updated training workshops for 90 customs and enforcement officers on new Montreal Protocol regulations and how to conduct physical inspection of refrigerants and equipment (UNEP) (US $2,600 and US $2,600 from the previous tranche)

(b) *Servicing technician training programme:* Three training workshops on good servicing practices and safe handling of flammable refrigerants for 55 RAC technicians (UNEP) (US $6,000 and US $3,000 from the previous tranche)

(c) *Refrigerant recovery and reuse programme:* Strengthening the capacity of training centres through the provision of equipment for refrigerant recovery and reuse (the list of equipment will be adjusted accordingly based on the needs, e.g., leak detector, vacuum pump, vacuum gauge, recovery machine, cylinder, lokring tool, pressure gauge, electronic scale, torque spanner, multi-meter workstation tools, and related accessories). (UNDP) (US $8,400, and US $3,085 from the previous tranche);

(d) *Information exchange and advocacy programme:* Two awareness workshops on ODS regulations, procedures and enforcement mechanisms for importers and end-users, and relevant Government officials for a total of 80 participants (UNEP) (US $2,000, and US $1,000 from the previous tranche); and

(e) *Project implementation and monitoring:* (UNEP) (US $2,000 and US $2,900 from the previous tranche): To cover the cost of staff, meetings and monitoring-related travels for the continued monitoring and management of HPMP activities with assistance from consultants.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

Legal framework

19. The Government of Nepal has already issued HCFC import quotas for 2020 at 0.57 ODP tonnes, which is lower than the Montreal Protocol control target of 0.70 ODP tonnes.

Refrigeration servicing sector

20. The delays in the incentive programme have been resolved, and there are only 14 remaining beneficiaries that will be identified and assisted in order to complete this component by the end of 2020. The Government will monitor the use of the replaced equipment and the achievements of this programme, and provide a report to the Executive Committee consistent with decision 84/84.

Completion of stage I

21. UNEP has confirmed that stage I of the HPMP for Nepal will be completed on 31 December 2021, as established in paragraph 14 of the Agreement.

Gender policy implementation

22. The Government of Nepal has adopted a regulatory framework for women's human rights, and is aware of the gender mainstreaming policies and decision 84/92(d).[3] The NOU will inform relevant stakeholders on gender policy of the Fund and will encourage women to participate in the events/activities organized under the third tranche. The NOU will collect sex-disaggregated data, including for technicians and customs officers, where possible, for reporting in the project completion report.

Impact of the COVID-19 pandemic on the stage I implementation

23. Nepal has been affected by the COVID-19 pandemic; lockdown measures and other restrictions have delayed activities, e.g., meetings, workshops and training. Despite this situation, the NOU has managed to use online sessions to prepare the proposal for stage II of the HPMP, including various stakeholder consultation meetings and a validation workshop; similar options will be adopted for remaining awareness workshops.

24. The Government of Nepal appreciates the support of the HPMP for the country's post-pandemic recovery, and particularly for its contribution to rebuilding the economy, and maintaining food safety, and the health of the population. The activities under the HPMP have substantial co-benefits for developing technical capacities, providing new tools and equipment to the service sector, enabling the adoption of alternative and more efficient technologies, and creating additional employment opportunities.

Sustainability of the HCFC phase-out

25. The current controls on the import of HCFCs including the licensing and quota system, the ban on imports of HCFC-based equipment in effect since 1 January 2017 and the inclusion of ODS related-matters within the Customs Department training system, support the sustainability of the HCFC phase-out in Nepal. Furthermore, the continued training and improved servicing practices of technicians based on the standards for flammable technologies increases their confidence in handling non-HCFC alternative technologies; which in turn helps to change customer perceptions about the safety of new technologies. The incentive programme to replace air-conditioners, combined with awareness and outreach, encourages HCFC phase-out using low- and zero-GWP alternative technology.

Conclusion

26. The HPMP implementation is progressing, and the country is in compliance with the Montreal Protocol and its Agreement with the Executive Committee. The verification report confirms that the country's licensing and quota system is operational, and that the 2019 HCFC consumption of 0.64 ODP tonnes is 42 per cent below the country's baseline. The Government has taken into consideration the recommendations from the verification report, which will be implemented as relevant in the present tranche and in stage II of the HPMP, which is being submitted to the 86th meeting. The level of fund disbursement is nearly 90 per cent. The activities implemented to date and those planned under the third and final tranche will ensure the long-term sustainability of HCFC phase-out.

RECOMMENDATION

27. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Nepal; and further recommends blanket approval of the third and final tranche of stage I of the HPMP for Nepal, and the corresponding 2020-2021 tranche implementation plan, at the funding levels shown in

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

the table below, on the understanding that UNEP would include, as part of the progress report on the implementation of the second tranche of stage II of the HPMP, an update on progress towards implementing the recommendations from the verification report submitted to the 86th meeting, including the revision of standard operating procedures for licensing, enforcement of a system for reporting by various stakeholders, effective monitoring of the HCFC and HCFC-based equipment market, and updating risk profiles for ODS imports:

	Project title	Project funding (US $)	Support cost (US $)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third tranche)	12,600	1,638	UNEP
(b)	HCFC phase-out management plan (stage I, third tranche)	8,400	756	UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

NEPAL

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

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2019	0.64 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year:** 2019
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22	0	0	0	0	0.64	0	0	0	0.64

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.10	Starting point for sustained aggregate reductions:	1.27
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.64	Remaining:	0.63

(V) BUSINESS PLAN		**2020**	**2021**	**2022**	**After 2022**	**Total**
UNEP	ODS phase-out (ODP tonnes)	0.08	0	0	0.21	0.29
	Funding (US $)	66,110	0	0	99,160	165,270
UNDP	ODS phase-out (ODP tonnes)	1.13	0	0.90	0.23	2.26
	Funding (US $)	115,560	0	92,448	23,112	231,120

(VI) PROJECT DATA			**2020**	**2021-2022**	**2023**	**2024**	**2025**	**2026**	**2027-2029**	**2030**	**Total**
Montreal Protocol consumption limits (ODP tonnes)			0.72	0.72	0.72	0.72	0.36	0.36	0.36	0.00	n/a
Maximum allowable consumption (ODP tonnes)			0.72	0.63	0.63	0.63	0.36	0.36	0.36	0.00	n/a
Projects costs requested in principle (US $)	UNEP	Project costs	128,000	0	67,000	0	0	75,000	0	54,000	324,000
		Support costs	16,640	0	8,710	0	0	9,750	0	7,020	42,120
	UNDP	Project costs	90,000	0	126,000	0	0	0	0	0	216,000
		Support costs	8,100	0	11,340	0	0	0	0	0	19,440
Total project costs requested in principle (US $)			218,000	0	193,000	0	0	75,000	0	54,000	540,000
Total support costs requested in principle (US $)			24,740	0	20,050	0	0	9,750	0	7,020	61,560
Total funds requested in principle (US $)			242,740	0	213,050	0	0	84,750	0	61,020	601,560

(VII) Request for approval of funding for the first tranche (2020)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
UNEP	128,000	16,640
UNDP	90,000	8,100
Total	218,000	24,740

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

28. On behalf of the Government of Nepal, UNEP, as the lead implementing agency, has submitted a request for stage II of the HCFC phase-out management plan (HPMP) at a total cost of US $601,560, consisting of US $324,000, plus agency support costs of US $42,120 for UNEP, and US $216,000, plus agency support costs of US $19,440 for UNDP, as originally submitted.[4] The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.

29. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $242,740, consisting of US $128,000, plus agency support costs of US $16,640 for UNEP, and US $90,000, plus agency support costs of US $8,100 for UNDP, as originally submitted.

Status of implementation of stage I of the HPMP

30. Stage I of the HPMP for Nepal was approved at the 62nd meeting[5] and revised at the 66th meeting[6] to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $210,000, plus agency support costs, to phase out 0.64 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. An overview of the implementation of stage I, including an analysis of HCFC consumption; the progress report and financial reports on the implementation; and the request for the third and final tranche submitted to the 86th meeting, are presented in paragraphs 1 to 27 of the present document.

Stage II of the HPMP

<u>Remaining consumption eligible for funding</u>

31. After deducting 0.64 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 0.63 ODP tonnes of HCFC-22.

<u>Sector distribution of HCFCs</u>

32. There are approximately 1,000 technicians working in 50-70 main service workshops and 150-200 small workshops servicing unitary and split air-conditioning systems, commercial cold stores, milk chilling tanks and chillers, as shown in Table 3.

Table 3. Sectoral distribution of HCFC-22 in Nepal in 2019

Sector/Applications	Equipment inventory	Average charge (kg)	Leakage rate (%)	Consumption (mt)
Room AC	10,000	1.5	15	2.25
Package Chillers	200	40	20	1.6
Large Chillers	60	75	20	0.9
Cold storage rooms- dairy, food processing.	560	10	20	1.12
Milk chilling tanks in dairy sector	100	15	20	0.3
Commercial refrigerators (e.g., chilling vat, ice cream machines)	6,000	3	20	3.6
Total	16,920	n/a	n/a	**9.77**

[4] As per the letter of 30 June 2020 from the Ministry of Industry, Commerce and Supplies of Nepal to UNEP and a revised version from 21 August 2020.
[5] UNEP/OzL.Pro/ExCom/62/42
[6] Annex XX of UNEP/OzL.Pro/ExCom/66/54

33. HCFC-22 represents 15 per cent of the refrigerants used in the servicing sector, followed by R-410A (37 per cent), HFC-134a (22 per cent), R-404A (17 per cent), R-407C (9 per cent) and HFC-32 (1 per cent).

Phase-out strategy in stage II of the HPMP

34. The overarching strategy presented by the Government of Nepal consists of an integrated plan for HCFC reductions, achieving climate benefits through the promotion of low- and zero-GWP and energy-efficient technologies in the RAC sector. Stage II of the HPMP has been designed based on the experience gained during the implementation of stage I; it will focus on further implementation of policies and enforcement taking into account the verification recommendations of stage I to support the sustained phase-out of HCFCs, and will continue to build the capacity of refrigeration technicians and key stakeholders. The Government plans to implement a national certification scheme for good servicing practices to ensure sustainability of the technicians' training.

Proposed activities in stage II of the HPMP

35. Stage II proposes the following activities:

(f) *HCFC phase-out policies and enforcement:* Development of an online system for issuing HCFC quotas and licenses; revising the standard operating procedures for use of all those involved in the licensing and quota system (importers, NOU, Customs, Ministry of Environment and Ministry of Industry and Trade), including the registration of importers and data reporting process for various stakeholders; implementing a physical inspection for all ODS consignments; conducting regular local market surveillance/inspection to track the source of refrigerants; training for 250 custom and enforcement officers on the revised licensing and quota procedures and HS Codes; organizing three border dialogues with neighbouring countries to strengthen the use of the informal Prior Informed Consent (iPIC) system to prevent illegal trade; promoting the introduction of governmental green procurement policy to favour zero-ODP, low-GWP energy-efficient equipment; purchasing of three multi-refrigerant identifiers and training of the customs and enforcement authorities on ODS identification (UNDP) (US $15,000) and (UNEP) (US $91,000);

(g) *Servicing technician training and certification programme*: Training of 400 technicians through 15 workshops on good servicing practices and 60 teachers/trainers through five train-the-trainers updated workshops; integration of good servicing practices into the Nepal National Occupation Standards for RAC technicians; updating course curriculum to incorporate good servicing practices into the vocational education structure and the national certification system; and certification of at least 200 RAC service technicians (UNEP) (US $106,000);

(h) *Assistance to training centres and the servicing sector*: Provision of technical support and RAC training tools and equipment to deliver the good servicing practices training, including the handling of flammable refrigerants to two technical and vocational education and training (TVET) centres and to the Nepal Refrigeration and Electro Mechanical Association (NREMA) (a procurement list will be defined after a needs assessment conducted at each training centre); and procurement and distribution of equipment and tools for 30 RAC servicing workshops to implement good servicing practices (e.g., evacuation, charging and recovery tools; vacuum pump, scale, leak detector, multi-gauge manifold, and recovery machine; and refrigeration piping tools, servicing tools, measurement tools and accessories) (UNDP) (US $201,000);

(i) *Information exchange and advocacy programme*: Development of sector-specific policy briefing notes on latest development of low-GWP technology for the dairy, hotel industry, food processing and construction sectors and two workshops for the dairy and food processing sectors; three targeted capacity-building workshops for importers on how to use the online license application and quota registration system, and for customs brokers on better application of HS codes, record-keeping and improved reporting of imports; establishment of a database of certified technicians to ensure public access to the information; adaptation of relevant OzonAction tools and resources and translation and printing of technical information material as needed (UNEP) (US $64,000).

Project management and monitoring

36. The monitoring system established under stage I of the HPMP will continue into stage II. The NOU will monitor activities, report on progress and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US $63,000 for UNEP (i.e., staff support (US $50,000); monitoring-related travel (US $10,000); and miscellaneous (US $3,000)).

Gender policy implementation

37. In line with gender mainstreaming policies of UNEP and decision 84/92(d), and following relevant activities in stage I, stage II of the HPMP will continue encouraging full engagement of women in various steps and phases of the project as users, beneficiaries, advisors, managers and political or community decision-makers. Attention will be given to ensure that, to the extent possible, project committees, management and monitoring arrangements are gender-responsive and that gender balance is addressed in HPMP structures, decision-making and selection processes. Sex-disaggregated data on activities will continue to be collected for reporting.

Total cost of stage II of the HPMP

38. The total cost of stage II of the HPMP for Nepal amounts to US $540,000, plus agency support costs, as originally submitted for achieving 100 per cent reduction from its HCFC baseline consumption by 2030 which is in accordance with decision 74/50(c)(xii).

Activities planned for the first tranche of stage II

39. The first funding tranche of stage II of the HPMP at the total amount of US $218,000 will be implemented between January 2021 and December 2023 and will include the following activities:

(a) *HCFC phase-out policies and enforcement:* Development of an online system for issuing HCFC quotas and licenses; revising operating procedures for the implementation of the online licensing and quota system, including the registration of importers and a data reporting process for various stakeholders; training of 50 customs and enforcement officers on the revised licensing procedures and HS Codes; implementing physical inspection for all ODS consignments; continuing regional ODS trade control collaboration and participation in the iPIC; annual inspections of the refrigerants market to monitor the origin of refrigerant supply and uses of HCFCs; adoption of governmental green procurement policy (UNEP) (US $51,000); procurement of three multi-refrigerant identifiers; and training of the customs and enforcement authorities on ODS identification (UNDP) (US $15,000);

(b) *Servicing technician training and certification programme:* Training of 20 trainers through one train-the-trainer update workshop; training of 200 technicians through four workshops on good servicing practices, and training of 40 technicians on maintenance of commercial refrigeration applications; development and adoption of standards for the technicians' certification in the safe handling of flammable refrigerants; update of the course curriculum to incorporate the good servicing practices into the course structure of vocational institutions (UNEP) (US $37,500);

(c) *Assistance to training centres:* Technical assistance and acquisition of training equipment for three training centres. A needs assessment will be conducted before defining the procurement list since it could not be completed during the HPMP preparation due to the COVID-19 pandemic. However, based on preliminary discussions with stakeholders and earlier experience, the total cost for establishing workstations was estimated. The tentative list of equipment includes: air-conditioning units for demonstration; evacuation, charging and recovery equipment and tools, cylinders, servicing toolbox including measurement and safety tools, and personal protective equipment (UNDP) (US $75,000);

(d) *Information exchange and advocacy programme:* Implementation of a targeted capacity-building workshop for importers on the online licensing and quota system; implementation of one sector-specific awareness workshop with the servicing sector on the certification of technicians; and development of a media campaign, and printing of informative material (UNEP) (US $21,500); and

(e) *Project management and coordination* (UNEP) (US $18,000): For staff (US $12,000); monitoring-related travel (US $3,000); and miscellaneous (US $3,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

40. The Secretariat reviewed stage II of the HPMP in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2020-2022 business plan of the Multilateral Fund.

<u>Overarching strategy for stage II</u>

41. The Government of Nepal proposed to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, on the understanding that Nepal's consumption between 2030 and 2040 (i.e., the servicing tail) will follow the Montreal Protocol provisions.[7] The Government further commits to ensure that where consumption for the servicing tail may be required, it will do its utmost to establish strict criteria within its existing licensing system to limit and monitor the amounts used to those allowed by the Protocol.

Reduction targets for stage II

42. The Secretariat discussed with UNEP the targets for stage II for the period 2021 to 2024 keeping in view that the 2019 consumption of 0.64 ODP tonnes was already 11 per cent lower than the Montreal Protocol target for 2020 of 0.72 ODP tonnes, and that the quota established by the Government for 2020 was already at 0.57 ODP tonnes. After consultation, the Government agreed to revise its targets for the period 2021 to 2024 from 0.72 ODP tonnes to 0.63 ODP tonnes.

[7] Article 5, paragraph 8 ter (e)(i) of the Montreal Protocol. Other applications where HCFCs can be used include the servicing of fire suppression and fire protection equipment existing on 1 January 2030; solvent applications in rocket engine manufacturing; and topical medical aerosol applications for the specialized treatment of burns.

Technical and cost-related issues

43. Achieving the HCFC phase-out using low-and zero-GWP alternative technology in Nepal requires that servicing technicians acquire specialized skills to handle flammable alternative technologies and have access to the right servicing tools. For that purpose, the Government plans to implement the certification programme for technicians by phases, with the development and adoption of standards for certification during the first tranche, followed by a gradual rollout through the TVET system. Certified technicians will be prioritized for Government hiring, but no mandatory provisions are currently planned. Furthermore, a database of certified technicians will be established to ensure public access to that information.

44. The Secretariat discussed with UNEP the proposed tranche distribution for stage II noting the importance of ensuring a balanced funding distribution according to the needs of the country. UNEP clarified that this distribution was discussed with the country consistent with the activity planning noting that, some activities like policy set-up and procurement of equipment need to be implemented up front to support other activities in stage II of the HPMP and therefore no changes to the initial proposal.

Impact of the COVID-19 pandemic on the stage II implementation

45. Noting the implementation plan of the first tranche of stage II is based on the requirements for three years (2021-2023) and the assumption that the situation due to the COVID-19 may not return to normal by the end of 2020, the Government is working closely with UNEP to develop a contingency plan that will allow for certain activities (i.e., development of certification standards, a green procurement policy development) to continue implementation in the event of an extension of the country lockdown.

Impact on the climate

46. The proposed activities in the servicing sector, which include better containment of refrigerants through training and the provision of equipment, will reduce the amount of HCFC-22 required 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 detailed calculation of the impact on the climate was not included in the HPMP, the activities planned by the Government of Nepal, including its efforts in promoting low-GWP and energy-efficient technologies, and good servicing practices, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

47. The Government of Nepal plans to provide approximately US $109,250 as in-kind contribution, covering human resources and supervision, information technology infrastructure and import duties for equipment, for the implementation of stage II of the HPMP.

2020-2022 draft business plan of the Multilateral Fund

48. UNEP and UNDP requested US $540,000, plus agency support costs, to implement stage II of the HPMP for Nepal. The total requested value of US $242,740, including agency support costs, for the period of 2020–2022, is US $31,378 below the amount in the business plan.

Draft Agreement

49. A draft Agreement between the Government of Nepal and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

50. The Executive Committee may wish to consider:

(f) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Nepal for the period from 2020 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $601,560, consisting of US $324,000, plus agency support costs of US $42,120 for UNEP, and US $216,000, plus agency support costs of US $19,440 for UNDP, on the understanding that no more funding would be provided from the Multilateral Fund for the phase-out of HCFCs;

(g) Noting the commitment of the Government of Nepal to reduce HCFC consumption by 43 per cent of the country's baseline by 1 January 2021, 67.5 per cent by 1 January 2025 and completely phase out HCFCs by 1 January 2030, and that HCFC would not be imported after that date, except for the allowance for a servicing tail between 2030-2040 where required, and consistent with the provisions of the Montreal Protocol;

(h) Deducting 0.63 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

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

(j) Approving the first tranche of stage II of the HPMP for Nepal, and the corresponding tranche implementation plan, in the amount of US $242,740, consisting of US $128,000, plus agency support costs of US $16,640 for UNEP, and US $90,000, plus agency support costs of US $8,100 for UNDP.

Annex I

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

Purpose

1. This Agreement represents the understanding of the Government of Nepal, (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 II 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; and

(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;

(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. United Nations Environment Programme (UNEP) has agreed to be the lead implementing agency (the "Lead IA") and United Nations Development Programme (UNDP) have 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 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	1.27

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021-2022	2023	2024	2025	2026	2027-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.72	0.72	0.72	0.72	0.36	0.36	0.36	0.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.72	0.63	0.63	0.63	0.36	0.36	0.36	0.00	n/a
2.1	Lead IA (UNEP) agreed funding (US $)	128,000	0	67,000	0	0	75,000	0	54,000	324,000
2.2	Support costs for Lead IA (US $)	16,640	0	8,710	0	0	9,750	0	7,020	42,120
2.3	Cooperating IA (UNDP) agreed funding (US $)	90,000	0	126,000	0	0	0	0	0	216,000
2.4	Support costs for Cooperating IA (US $)	8,100	0	11,340	0	0	0	0	0	19,440
3.1	Total agreed funding (US $)	218,000	0	193,000	0	0	75,000	0	54,000	540,000
3.2	Total support costs (US $)	24,740	0	20,050	0	0	9,750	0	7,020	61,560
3.3	Total agreed costs (US $)	242,740	0	213,050	0	0	84,750	0	61,020	601,560

Row	Particulars	2020	2021-2022	2023	2024	2025	2026	2027-2029	2030	Total
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)									0.63
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)									0.64
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)									0.00

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

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the second 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

3. The monitoring process will be managed by the National Ozone Unit (NOU) under the Ministry of Forest and Environment (MOFE) with the assistance of the Lead IA.

4. The consumption will be monitored and determined based on official import and export data for the Substances recorded by NOU.

5. The NOU shall compile and report the following data and information on an annual basis on or before the relevant due dates:

(a) Annual reports on consumption of the Substances to be submitted to the Ozone Secretariat; and

(b) Annual reports on progress of implementation of the Plan to be submitted to the Executive Committee of the Multilateral Fund.

6. Monitoring of activities of the Plan and verification of the achievement of the performance targets, specified in the Plan, will be assigned to an independent company or to independent consultant(s) by the Lead IA.

7. The Lead IA will also provide administrative, budgetary and financial monitoring necessary for the implementation of project activities.

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 IAs 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 IAs 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 IAs, 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.