UNITED
NATIONS

EP

United Nations
Environment
Programme

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/88/52
29 October 2021

ORIGINAL: ENGLISH

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

PROJECT PROPOSALS: KUWAIT

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

Phase-out

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

[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

Kuwait

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNEP (lead), UNIDO	66th	39.2% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2020	253.82 (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		15.73		6.60	161.70				184.03
HCFC-123					0.07				0.07
HCFC-141b		41.80							41.80
HCFC-141b in imported pre-blended polyols		40.70							40.70
HCFC-142b		27.92							27.92

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	418.6	Starting point for sustained aggregate reductions:	429.24
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	239.12	Remaining:	190.12

(V) BUSINESS PLAN		2021	2022	2023	Total
UNEP	ODS phase-out (ODP tonnes)	10.36	0.0	0.0	10.36
	Funding (US $)	480,303	0	0	480,303
UNIDO	ODS phase-out (ODP tonnes)	22.21	0.0	0.0	22.21
	Funding (US $)	984,400	0	0	984,400

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	2018	2019	2020/2021*	Total
Montreal Protocol consumption limits			n/a	418.6	418.6	376.7	376.7	376.7	376.7	376.7	272.1	n/a
Maximum allowable consumption (ODP tonnes)			n/a	415.6	336.8	339.0	297.9	296.2	254.5	254.5	254.5	n/a
Agreed funding (US $)	UNEP	Project costs	277,000	0	0	337,000	0	0	0	0	429,000	1,043,000
		Support costs	33,126	0	0	40,301	0	0	0	0	51,303	124,730
	UNIDO	Project costs	3,537,450	0	0	3,349,382	0	0	0	1,054,845	920,000	8,861,677
		Support costs	265,309	0	0	234,457	0	0	0	73,839	64,400	638,005
Funds approved by ExCom (US $)		Project costs	3,814,450	0	0	3,686,382	0	0	0	1,054,845	0	8,555,677
		Support costs	298,435	0	0	274,758	0	0	0	73,839	0	647,032
Total funds requested for approval at this meeting (US $)		Project costs									1,349,000	
		Support costs									115,703	

* The tranche initially agreed for 2020 was delayed due to COVID-19.

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Kuwait, UNEP as the lead implementing agency has submitted a request for funding for the fourth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US $1,464,703, consisting of US $429,000, plus agency support costs of US $51,303 for UNEP, and US $920,000, plus agency support costs of US $64,400 for UNIDO.[2] The submission includes a progress report on the implementation of the third tranche, the verification report on HCFC consumption for 2019 to 2020, and the tranche implementation plan for 2021 to 2022.

Report on HCFC consumption

2. The Government of Kuwait reported a consumption of 253.82 ODP tonnes of HCFC in 2020, which is 39.36 per cent below the HCFC baseline for compliance. The 2016-2020 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Kuwait (2016-2020 Article 7 data)

HCFC	2016	2017	2018	2019	2020	Baseline
Metric tonnes (mt)						
HCFC-22	3,157.50	3,150.00	2,725.33	3,138.00	3,345.98	4,735.50
HCFC-123	0.00	0.00	0.00	2.60	3.74	14.00
HCFC-124	0.00	0.00	0.00	0.40	0.00	0.00
HCFC-141b	560.00	538.00	500.00	420.00	380.00	683.50
HCFC-142b	963.00	977.00	758.24	535.00	429.53	1,272.00
Sub-total (mt)	**4,680.50**	**4,665.00**	**3,983.57**	**4,096.00**	**4,159.25**	**6,705.00**
HCFC-141b in imported pre-blended polyols*	850.00	790.00	752.00	395.00	370.00	**96.73
Total (mt)	**5,530.50**	**5,455.00**	**4,735.57**	**4,491.00**	**4,529.25**	**6,801.73**
ODP tonnes						
HCFC-22	173.66	173.25	149.89	172.59	184.03	260.45
HCFC-123	0.00	0.00	0.00	0.05	0.07	0.28
HCFC-124	0.00	0.00	0.00	0.01	0.00	0.00
HCFC-141b	61.60	59.18	55.00	46.20	41.80	75.19
HCFC-142b	62.60	63.51	49.29	34.78	27.92	82.68
Sub-total (ODP tonnes)	**297.86**	**295.94**	**254.18**	**253.63**	**253.82**	**418.60**
HCFC-141b in imported pre-blended polyols*	93.50	86.90	82.72	43.45	40.70	**10.64
Total (ODP tonnes)	**391.36**	**382.84**	**336.90**	**297.08**	**294.52**	**429.24**

* Country programme (CP) implementation report.
** Starting point established in the Agreement with the Executive Committee.

3. The decrease in consumption of HCFC-141b (including HCFC-141b contained in imported pre-blended polyols) and HCFC-142b is due to regulatory import controls and to progress in the conversion of foam manufacturing enterprises. Although the overall consumption of HCFC-22 is decreasing from the established baseline level, the demand for HCFC-based air-conditioning (AC) equipment is still high, resulting in an increase in consumption between 2019 and 2020 to service a base of equipment.

CP implementation report

4. The Government of Kuwait reported HCFC sector consumption data under the 2020 CP implementation report consistent with the data reported under Article 7 of the Montreal Protocol.

[2] As per the letter of 1 August 2021 from the Environment Public Authority (EPA) of Kuwait to UNEP.

Verification report

5. The verification[3] report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2019 to 2020 was correct (as shown in Table 1 above). The verification also concluded that Kuwait is in compliance with its Agreement with the Executive Committee for stage I of the HPMP.

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

6. At the 83rd meeting, the Executive Committee approved the third tranche of stage I along with an extension of the duration of stage I from 2018 to 2020 with a target consumption of 254.52 ODP tonnes for 2019 and 2020 (decision 83/56).

Legal framework

7. In addition to the development of the e-licensing system in 2016 and the enforcement of the licensing and quota system for HCFC imports, the Government of Kuwait established a ban on the import of new equipment containing HCFC-123 from 1 January 2021, and a ban on the import of HCFC-141b in pure form from 1 January 2021, which contributed to phasing out its use as a cleaning agent in the refrigeration servicing sector and to reducing its use in the polyurethane (PU) foam sector.[4]

Extruded polystyrene (XPS) foam sector (UNIDO)

8. Table 2 presents information on the status of implementation of HCFC-22/HCFC-142b phase-out in the three XPS foam enterprises converting to carbon dioxide (CO_2)-based technology.[5]

Table 2. Status of implementation of investment projects in the XPS foam sector

Enterprises	HCFC-22	HCFC-142b	Funds approved (US $)	Status
	(ODP tonnes)			
Al-Masaha Company (Al Masaha)	4.49	7.96	888,920	Equipment delivered, installed and commissioned; baseline equipment destroyed
Gulf Insulating Materials Manufacturing & Trading (Gulf Insulation)	17.78	31.51	3,468,875	Equipment for one line delivered and installed; equipment for the second line delivered and awaiting installation and commissioning, expected by early 2022
Isofoam Insulating Materials Plants (ISO foam)	24.34	43.15	3,535,580	
Total	**46.61**	**82.62**	**7,893,375**	

9. The Government of Kuwait committed to establish a ban on the import and use of HCFC-22 and HCFC-142b in the XPS foam sector by 31 December 2020, coinciding with the completion of HCFC phase-out in XPS foam applications (noted in decision 83/56(d)). However, due to restrictions associated with the COVID-19 pandemic, conversion of all the XPS enterprises has not been completed and, thus, the ban will be in effect by 1 January 2023.

PU foam sector (UNIDO)

10. Table 3 presents information on the status of implementation of HCFC-141b phase-out in the two PU foam enterprises converting to pentane.

[3] The verification was carried out remotely due to COVID-19 restrictions.
[4] HCFC-141b contained in imported pre-blended polyols continues to be used in the PU foam sector in Kuwait.
[5] Applied with dimethyl ether (DME), HFO or HFC-152a.

Table 3. Status of implementation of investment projects in the PU foam sector

Enterprises	HCFC-141b (ODP tonnes)	Funds approved (US $)	Status
Kuwait Polyurethane Industry Co. (Kuwait PU)	8.32	359,114	Equipment delivered in 2019; supplier visited the enterprise in February 2020 for plant adaptations; in-person installation of the equipment could not be completed (due to the COVID-19 pandemic); supplier presence is required for equipment commissioning, testing and acceptance. Both enterprises intend to resume work and start HCFC-free production by the end of 2021
Kirby Building Systems (Kirby)	7.29	254,268	
Total	**15.61**	**613,382**	

11. Stage I also included technical assistance (TA) at a cost of US $125,000 to support the conversion of seven small and medium-sized enterprises (SMEs) producing discontinuous panels and spray foam users consuming 12.78 ODP tonnes of locally pre-blended HCFC-141b-based polyol to alternatives with low global-warming potential (GWP), i.e. methyl formate (MF) and water-blown. A technical expert is assisting the systems house in Kuwait to develop the low-GWP-based blowing agent systems and provide TA to the SMEs in adopting them. Technical workshops, technology transfer and demonstration of low-GWP alternatives have been delayed due to the constraints imposed by the pandemic; it is expected that they will be completed by June 2022. Once TA has been completed, the Government will revise product standards for spray foam and associated regulations.

Refrigeration servicing sector

12. The following activities have been implemented in the refrigeration servicing sector since the approval of the last tranche at the 83rd meeting:

(a) *Policy update and enforcement (UNEP):* Upgrade to the e-licensing system avoiding the physical presence of importers to receive licenses. Training of 20 master trainers, including four women (for the first time), and 100 customs officers and other law enforcement officers; additional training for 880 officers from customs, trade and environment is ongoing until June 2022 to complete the training of 1,000 officers proposed in stage I. The customs training curriculum is being updated and a framework agreement was signed between the EPA and the customs authority to ensure continuous training of customs officers after the project is completed;

(b) *Development of local refrigeration and air-conditioning (RAC) standards and codes (UNEP)*: Local RAC standards and codes on sound management of refrigerants and installations; labeling, record keeping, and handling and disposal of refrigerant cylinders, were developed and submitted for consideration by the technical taskforce, comprising the National Standardization Department at the General Authority of Industry, the EPA, and academia representatives. Adoption of these standards and codes and development of additional ones, as required, will continue during stage II of the HPMP;

(c) *Development of a technician certification programme (UNEP):* The EPA, with the assistance from UNEP, are finalizing the legal documentation to enact an environmental certification programme for refrigerant management (similar to F-Gas certification in the European Union) tailored to local conditions, in line with the Environment Law. The certification programme will be enacted by the end of 2021; and the training programme on good servicing practices associated to the certification resumed during the second half of 2021; and

(d) *Development of a national study on the feasibility of reclamation in Kuwait (UNIDO)*: Based on the results of a feasibility study for establishing a refrigeration reclamation scheme, the terms of reference for setting up and operating the HCFC reclamation centre have been developed; an expert has been contracted to provide TA during the process; and the procurement and installation of equipment (e.g., reclamation machine, recovery units, cylinders, and tools) will be completed during the fourth tranche.

Project implementation and monitoring

13. The Project Management Team (PMT) under EPA is responsible for implementing all activities related to the HPMP, as well as coordinating with relevant stakeholders and implementing agencies. The US $102,000 so far approved for the PMT has been used on project staff and consultants.

Level of fund disbursement

14. As of August 2021, of the US $8,803,677 approved so far, US $6,629,012 had been disbursed (US $272,425 for UNEP and US $6,356,587 for UNIDO) as shown in Table 4. The balance of US $2,174,665 will be disbursed in 2021 and 2022.

Table 4. Financial report of stage I of the HPMP for Kuwait (US $)

Tranche		UNEP	UNIDO	Total	Disbursement rate (%)
First	Approved	277,000	3,537,450	3,814,450	87.2
	Disbursed	199,925	3,127,227	3,327,152	
Second	Approved	337,000	3,349,382	3,686,382	69.3
	Disbursed	72,500	2,482,236	2,554,736	
Third	Approved	0	1,054,845	1,054,845	70.8
	Disbursed	0	747,124	747,124	
Total	**Approved**	**614,000**	**7,941,677**	**8,555,677**	**77.5**
	Disbursed	**272,425**	**6,356,587**	**6,629,012**	

Note: Stage I of the HPMP also included US $248,000 (US $220,000 for UNEP and US $28,000 for UNIDO) transferred from the terminal phase-out management plan. Those funds have been fully used.

Implementation plan for the fourth and final tranche of the HPMP

Manufacturing sector

15. The Government of Kuwait is proposing to complete all remaining activities in the foam manufacturing sectors, as described below.

(a) *XPS foam sector:* Completion of the conversion of six lines (five funded by the Multilateral Fund and one self-funded) in three XPS foam enterprises to low-GWP alternatives (CO_2/DME/HFO) and establishment of a ban on the import and use of HCFC-22 and HCFC-142b in the XPS foam sector by 31 December 2022 (i.e., six months after completing HCFC phase-out in XPS foam applications), in line with the Government's commitment reflected in decision 83/56(d) (UNIDO) (US $877,675); and

(b) *PU foam sector:* Completion of the conversion of two PU foam discontinuous panel enterprises to pentane; completion of TA to support SMEs in converting to low-GWP alternatives (CO_2/MF/hydrocarbon); and completion of TA and workshops for spray foam users and systems houses by supplying them with low-GWP alternatives (MF/CO_2) (UNIDO) (US $42,325).

Refrigeration servicing sector

16. In line with decision 83/56(f),[6] the Government of Kuwait submitted a detailed plan of action to complete all remaining activities in the refrigeration servicing sector, as summarized below:

(a) *Policy update and enforcement:* Training of an additional 880 customs officers (for a total of 1,000 under stage I) on ODS legislation enforcement and prevention of illegal trade and monitoring, and procurement and distribution of the remaining 38 identifiers (15 were procured in previous tranches) for a total of 53 under stage I (UNEP) (US $95,000);

(b) *Training, certification and standardization of refrigeration servicing technicians (UNEP):*

(i) Completion of the national code of good practices for RAC servicing technicians used for the certification system and additional progress in the development of standards and codes for labelling, record-keeping requirements, and handling of refrigerant cylinder disposal (this activity will continue during stage II) (UNEP) (US $40,000);

(ii) Completion of legal documentation for the certification programme, establishing a National Certification Centre, including the supply of training equipment, and 1,000 technicians trained and certified with the assistance of local training institutions (UNEP) (US $184,000);

(iii) Implementation of at least three workshops on alternatives to HCFC in different applications, particularly low-GWP options for large end-users, building owners, consultants and technical decision-makers at the governmental level (UNEP) (US $40,000);

(iv) Organization of one workshop for stakeholders to review the draft and finalize the modality of operation of the reclamation scheme, and procurement of equipment (e.g., reclamation unit, recovery units, recovery cylinders and storage tanks, cleaning/drying station for the cylinders and lab equipment) (UNIDO) (funds from previous tranches); and

(c) *Support to the PMT* (UNEP) (US $70,000, for staff and consultants).

17. In light of the delays caused by the COVID-19 pandemic, the Government of Kuwait is requesting an extension of stage I of the HPMP to 30 June 2022 to complete the ongoing activities of stage I of the HPMP.

[6] In approving the third tranche of stage I, the Executive Committee requested the Government of Kuwait, through UNEP, when submitting the request for the fourth tranche, to include a plan of action to address all remaining activities in the refrigeration servicing sector, along with the budgets for the activities in that plan of action, on the understanding that it would have achieved phase-out of HCFCs at the level specified in Appendix 2-A of the revised updated Agreement between the Government of Kuwait and the Executive Committee.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

Legal framework

18. The Government of Kuwait has already issued HCFC import quotas for 2021 at 254.34 ODP tonnes, which is lower than the Montreal Protocol control target of 272.10 ODP tonnes and in accordance with the maximum allowable consumption for the same year in the Agreement between the Government and the Executive Committee (254.50 ODP tonnes).

Impact of the COVID-19 pandemic and extension of stage I

19. UNEP reported that the measures established by the Government of Kuwait to control the COVID-19 pandemic impacted the implementation of stage I in 2020 and part of 2021. The country is currently in the process of reopening and removing the constraints, which will allow the continuation of activities under stage I. Based on this situation, the Government is requesting a six-month extension on the date of completion of stage I to 30 June 2022.

20. Noting that before the pandemic, several of the activities under stage I had suffered a number of delays that required the extension of the completion date of the plan, the Secretariat enquired whether the reasons for delays prior to the pandemic have been resolved, and whether there are favourable conditions for the finalization of stage I and implementation of stage II, which has been submitted to the 88th meeting. UNEP explained that previous delays were due to technical and logistical matters related to specifications for equipment, verification of equipment's readiness for shipment, civil works needed in large-capacity manufacturing enterprises that were being converted, and negotiation of counter part funding by the enterprises. All those issues have now been resolved between the Government, the beneficiaries and UNEP and UNIDO, and activities are on track. In the refrigeration servicing sector delayed activities, such as the training of technicians and customs officers, have already restarted.

21. Upon detailed discussions with the implementing agencies about the plan of action to complete the fourth tranche of stage I, the Secretariat supports the approval of the last tranche of stage I and the extension of the duration of the plan to 30 June 2022, noting that:

(a) A total of 77.5 per cent of the funds approved under previous tranches have already been disbursed, and US $1.61 million of the remaining balance, has been obligated for ongoing activities;

(b) All investment projects in the XPS and PU foam sectors are at a very advanced stage of implementation; most of the projects milestones (i.e., equipment procurement and delivery, plant adaptations and equipment installation) have been completed in all five enterprises. A large part of the balance from UNIDO, as well as the entire US $920,000 requested for the fourth tranche will be used to complete the conversion of the manufacturing sector, expected to be completed in the first half of 2022, once experts visit the enterprises to complete equipment commissioning and trials;

(c) The activities in the refrigeration servicing sector under implementation, are long-term oriented and will have a positive impact in the sector. EPA signed an agreement with the Public Authority for Applied Education to use their training centre as the local certification centre for technicians under the HPMP; EPA and UNEP are finalizing the legal documentation that will support the enactment of the technicians certification programme, and the EPA is leading the process to develop relevant standards and codes, which will be adopted (and complemented by additional ones) during stage II, to facilitate HCFC phase-out and adoption of low-GWP alternative technologies;

(d) The remaining activities in the refrigeration servicing sector include all the activities to which the Government originally committed at the time of approval of stage I, and will be completed by mid-2022 in accordance with the plan of action presented for the fourth tranche; and

(e) The review and discussion of stage II of the HPMP, submitted to the present meeting, particularly the first tranche and the conditions for approval of the second tranche, were undertaken in light of the outstanding commitments to be completed under stage I and the recommendation of its extension to 30 June 2022.

Gender policy implementation[7]

22. In line with decision 84/92, as well as UNEP and UNIDO gender mainstreaming policies, the implementation of the fourth tranche of stage I and stage II of the HPMP will take into account gender equality, from project formulation to implementation both in the investment and non-investment components. Gender mainstreaming policies shall also extend to the selection of consultants, project implementation and monitoring teams, as well as candidates for the training of technicians, customs officers and enforcement officers. Emphasis shall be put on ensuring the active participation of women in consultative workshops, stakeholder meetings and gender capacity-building activities. During the implementation of stage II, the national ozone unit will aim to seek the stakeholders' input on how to integrate gender-specific indicators in the planning, implementation, and reporting processes of each component. Focus on supporting gender-balanced participation in training and capacity-building activities will be encouraged. Training and meeting sessions on ozone issues will also incorporate sessions on gender to further sensitize participants to the importance of mainstreaming.

Conclusion

23. The Government of Kuwait continues to comply with the HCFC consumption targets established in the Montreal Protocol and in the Agreement for stage I of the HPMP. The country has an operational import, licensing and quota system that will enable HCFC consumption reductions in line with the targets of the Montreal Protocol and its Agreement with the Executive Committee. The Government imposed a ban on the import of HCFC-141b in pure form from 1 January 2021 and committed to establish a ban on the import and use of HCFC-22 and HCFC-142b in the XPS foam sector from 1 January 2023. The completion of activities under stage I were further delayed due to the COVID-19 pandemic, but activities are presently resuming as restrictions are lifted. Accordingly, the Government requested the extension of stage I to 30 June 2022 and presented a detailed plan of action for activities to be implemented and output to be achieved before that date, and ensuring the sustainable reduction in HCFC consumption.

RECOMMENDATION

24. The Executive Committee may wish to consider:

(a) Noting:

(i) The progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan (HPMP) for Kuwait;

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

(ii) The commitment of the Government of Kuwait to ban the import and use of HCFC-142b in the extruded polystyrene (XPS) foam sector by 1 January 2023, after the completion of HCFC phase-out in XPS foam applications;

(b) Approving:

(i) On an exceptional basis, and on the understanding that no further extensions would be approved, the extension of stage I of the HPMP to 30 June 2022, owing to the constraints imposed by the coronavirus disease pandemic, which delayed the completion of the activities in the manufacturing and servicing sectors;

(ii) The fourth and final tranche of stage I of the HPMP for Kuwait, and the corresponding 2022 tranche implementation plan, in the amount of US $1,464,703, consisting of US $429,000, plus agency support costs of US $51,303 for UNEP, and US $920,000, plus agency support costs of US $64,400 for UNIDO; and

(c) Requesting the Government of Kuwait, UNEP and UNIDO to submit the project completion report to the first meeting of the Executive Committee in 2023.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

KUWAIT

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

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2020	253.82 (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		15.73		6.60	161.70				184.03
HCFC-123					0.07				0.07
HCFC-141b		41.80							41.80
HCFC-141b in imported pre-blended polyols		40.70							40.70
HCFC-142b		27.92							27.92

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	418.6	Starting point for sustained aggregate reductions:	429.24
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	239.12	Remaining:	190.12

(V) BUSINESS PLAN		2021	2022	2023	Total
UNEP	ODS phase-out (ODP tonnes)	2.50	0.0	1.50	4.00
	Funding (US $)	218,181	0	130,909	349,090
UNIDO	ODS phase-out (ODP tonnes)	13.53	0.0	15.65	29.18
	Funding (US $)	1,392,920	0	1,740,469	3,133,389

(VI) PROJECT DATA			2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			272.09	272.09	272.09	272.09	136.05	n/a
Maximum allowable consumption (ODP tonnes)			254.51	254.51	254.51	254.51	136.05	n/a
Project costs requested in principle (US $)	UNEP	Project costs	670,840	0	1,013,560	0	268,400	1,952,800
		Support costs	77,228	0	116,682	0	30,898	224,808
	UNIDO	Project costs	249,600	0	287,600	0	60,000	597,200
		Support costs	17,472	0	20,132	0	4,200	41,804
Total project costs requested in principle (US $)			920,440	0	1,301,160	0	328,400	2,550,000
Total support costs requested in principle (US $)			94,700	0	136,814	0	35,098	266,612
Total funds requested in principle (US $)			1,015,140	0	1,437,974	0	363,498	2,816,612

(VII) Request for approval of funding for the first tranche (2021)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
UNEP	670,840	77,228
UNIDO	249,600	17,472
Total	920,440	94,700

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

25. On behalf of the Government of Kuwait, 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 $2,816,612, consisting of US $1,952,800, plus agency support costs of US $224,808 for UNEP, and US $597,200, plus agency support costs of US $41,804 for UNIDO, as originally submitted.[8] The implementation of stage II of the HPMP will phase out 95.78 ODP tonnes of HCFCs and assist Kuwait in meeting the target of 67.5 per cent reduction in HCFC baseline consumption by 2025.

26. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $1,605,858, consisting of US $1,147,800, plus agency support costs of US $132,136 for UNEP, and US $304,600, plus agency support costs of US $21,322 for UNIDO, as originally submitted.

Status of implementation of stage I of the HPMP

27. Stage I of the HPMP for Kuwait was originally approved at the 66th meeting,[9] updated at the 74th meeting[10] and revised again at the 83rd meeting[11] to meet the 39.2 per cent reduction from the baseline by 2020, at a total cost of US $9,904,677, plus agency support costs, to phase out 239.12 ODP tonnes of HCFCs used in the extruded polystyrene (XPS) and polyurethane (PU) foam manufacturing sectors and in the refrigeration and air-conditioning (RAC) servicing sector. An overview of implementation of stage I, including an analysis of HCFC consumption, the progress and financial reports on implementation, and the request for the fourth and final tranche submitted to the current meeting along with the request for an extension of the date of completion to 30 June 2022, is available in paragraphs 1 to 24 of the present document.

Stage II of the HPMP

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

28. After deducting 239.12 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 190.12 ODP tonnes; of this amount, 95.78 ODP tonnes will be phased out in stage II. The remaining consumption of 94.34 ODP tonnes eligible for funding will be addressed in a future stage of the HPMP.

<u>Sector distribution of HCFC</u>

29. The 2016-2020 HCFC consumption is shown in Table 1 (stage I of the HPMP). Table 5 presents the distribution of HCFC use among sectors and sub-sectors.

Table 5. Sector distribution of HCFC consumption in Kuwait in 2020

Sector/Applications	HCFC-141b		HCFC-22	HCFC-142b	HCFC-123	Total
	pure	in polyols				
Metric tonnes (mt)						
Manufacturing sectors						
PU foam	380.00	370.00				750.00
XPS foam			285.98	429.00		714.98
Domestic air-conditioning (AC)			120.00			120.00
Total manufacturing	**380.00**	**370.00**	**405.98**	**429.00**		**1,584.98**

[8] As per the letter of 1 August 2021 from the Environment Public Authority of Kuwait to UNEP.
[9] Decision 66/47, document UNEP/OzL.Pro/ExCom/66/54
[10] Annex XVI of UNEP/OzL.Pro/ExCom/74/56
[11] Annex IX of UNEP/OzL.Pro/ExCom/83/48

Sector/Applications	HCFC-141b		HCFC-22	HCFC-142b	HCFC-123	Total
	pure	in polyols				
Metric tonnes (mt)						
Refrigeration servicing sector						
Domestic AC			1,703.09			1,703.09
Commercial and industrial AC			1,218.94			1,218.94
Large commercial refrigeration			12.85			12.85
Industrial refrigeration			4.65			4.65
Transportation reefers			0.49			0.49
Chillers					3.72	3.72
Total refrigeration servicing			**2,940.02**		**3.72**	**2,943.74**
Grand total	**380.00**	**370.00**	**3,346.00**	**429.00**	**3.72**	**4,528.72**
ODP tonnes						
Manufacturing sectors						
PU foam	41.80	40.70				82.50
XPS foam			15.73	27.89		43.62
Domestic AC			6.60			6.60
Total manufacturing	**41.80**	**40.70**	**22.33**	**27.89**		**132.72**
Refrigeration servicing sector						
Domestic AC			93.67			93.67
Commercial and industrial AC			67.04			67.04
Large commercial refrigeration			0.71			0.71
Industrial refrigeration			0.26			0.26
Transportation reefers			0.03			0.03
Chillers					0.07	0.07
Total refrigeration servicing			**161.71**		**0.07**	**161.78**
Grand total	**41.80**	**40.70**	**184.04**	**27.89**	**0.07**	***294.50**

*This includes 253.82 ODP tonnes reported under Article 7 and 40.70 ODP tonnes of HCFC-141b contained in imported pre-blended polyols.

30. In 2020, the refrigeration servicing sector was the largest HCFC-consuming sector (61.7 per cent in ODP tonnes); and the manufacturing sectors represented 38.2 per cent of HCFC consumption (i.e., 19.1 per cent in PU foam, 16.6 per cent in XPS foam and 2.5 per cent in RAC manufacturing).

HCFC manufacturing sector

31. The XPS foam sector has already been assisted under stage I of the HPMP; consumption of HCFC-22 and HCFC-142b will be totally phased out by mid-2022; and the Government will establish a ban on the import and use of HCFCs for the manufacturing of XPS foam by 1 January 2023.[12]

32. The PU foam sector has also been assisted under stage I of the HPMP; the Government already established a ban on the import of HCFC-141b in pure form from 1 January 2021. During stage II, the remaining use of HCFC-141b contained in imported pre-blended polyols (40.70 ODP tonnes[13] in 2020), supplied by one systems house to mostly small and medium-sized enterprises, will be phased out in a self-funded manner.

33. There are two enterprises manufacturing domestic AC units with an aggregated consumption of 120 mt (6.60 ODP tonnes) of HCFC-22. These enterprises will phase out the consumption of HCFC-22 no

[12] This ban was originally planned for 31 December 2020 (decision 83/56(d)), but has been postponed to 31 December 2022 to allow for the completion of the conversion of XPS foam enterprises and ongoing updates of the XPS foam product standard.
[13] While 40.70 ODP tonnes of HCFC-141b contained in imported pre-blended polyols were consumed in 2020, only 10.64 ODP tonnes are eligible for funding representing the starting point.

later than the end of 2024 without assistance from the Multilateral Fund.

Refrigeration servicing sector

34. The domestic AC sub-sector, with an estimated 5.3 million installed units, consumes 57.9 per cent of HCFC-22 used in servicing.[14] The commercial and industrial AC sub-sector is the second largest consumer of HCFC-22 (41.5 per cent), with a large inventory of close to 700,000 HCFC-based units. The remaining 0.6 per cent of HCFC-22 consumption is used to service commercial and industrial refrigeration and transportation reefers. HCFC-22 and R-410A are currently the most frequently used refrigerants in domestic, commercial and industrial AC systems in Kuwait, while HFC-32 is used in nominal quantities. R-407C, HFC-134a, R-290 and HFC-32 are also used in Kuwait and other countries with high ambient temperatures. The use of HCFC-141b for cleaning refrigeration systems during servicing was already phased out through the ban on import of HCFC-141b since 1 January 2021. Even though the import of new equipment containing HCFC-123 was banned from 1 January 2021, HCFC-123 continues to be used to service installed chillers. There are approximately 44,965 technicians and 3,156 workshops in the servicing sector.

Phase-out strategy in stage II of the HPMP

35. Through stage II of the HPMP, the Government of Kuwait will achieve compliance with the HCFC consumption target of 67.5 per cent of the baseline in 2025, mainly through activities in the refrigeration servicing sector. The lessons learned and infrastructure established during the implementation of stage I of the HPMP will be utilized in stage II.

36. In line with decision 66/47(d),[15] the Government is proposing voluntary reductions of 1,153.55 mt (68.28 ODP tonnes) of HCFCs eligible for funding in the servicing, PU foam and domestic AC manufacturing sectors before the end of stage II in 2025, as shown in Table 6.

Table 6. Voluntary and funded reductions in HCFC consumption in stage II of the HPMP for Kuwait

Sector/sub-sector	Substance	mt	ODP tonnes	% of total
Voluntary reductions				
PU foam	HCFC-141b *	96.64	** 10.64	11.1
Domestic AC manufacturing	HCFC-22	338.73	18.63	19.5
Servicing	HCFC-22	704.18	38.73	40.4
Servicing commercial AC	HCFC-123	14.00	0.28	0.3
Total voluntary reductions		**1153.55**	**68.28**	**71.3**
Funded reductions				
Servicing	HCFC-22	500.00	27.50	28.7

* Contained in imported pre-blended polyols
** Of the total consumption of 40.70 ODP tonnes reported in 2020; only 10.64 ODP tonnes are eligible for funding. However, the Government is committed to phase-out the entire consumption during stage II of the HPMP.

37. During stage II of the HPMP, the Government of Kuwait commits to:

(a) Establishing a ban on the imports and use of HCFC-141b contained in pre-blended polyols by 1 January 2025; and

[14] The consumption of HCFC-22 in the servicing sector was estimated taking into account the life expectancy of the installed HCFC-based equipment; the pace of replacement of this equipment upon end-of-life; and the average leakage rate by application, which has been gradually reduced from 19 to 8 per cent in the room and commercial AC, and from 19 to 12 per cent in large industrial refrigeration applications.
[15] To consider further voluntary commitments by the Government of Kuwait for reduction in HCFC consumption in the servicing sector, if possible, in future HPMP stages.

(b) Establishing a ban on the manufacturing and imports of HCFC-22-based equipment by 1 January 2025.

Proposed activities in stage II of the HPMP

38. Stage II proposes the following activities:

(a) *Policy and enforcement capacity-building*: Continued updates to the national ODS legislation, including the development of procedures and bylaws; additional update to the e-licensing and monitoring system to link it to the Ministry of Trade; development and implementation of a mandatory qualification requirement for RAC servicing technicians; development and installation of an e-registration systems for RAC technicians and servicing workshops linked to the technician certification scheme; development of a policy and standard for the reclamation centre; and continued targeted awareness campaign aimed at Government authorities and stakeholders regarding the introduction and enforcement of new regulations (UNEP) (US $220,000);

(b) *Training of customs and enforcement officers*: Training of 1,500 customs and law enforcement officers from the national government and municipalities on the Montreal Protocol and HCFC control at customs entry points, risk profiling and enforcement beyond the customs checkpoints; and training of customs brokers and importers (one training programme per Governorate). It is also expected that after 2024 new recruited custom officers will receive the same training as that provided under the HPMP (UNEP) (US $132,000);

(c) *Training and certification of RAC servicing technicians:* Updating the training curriculum to consider low-GWP alternatives and related safety and technical aspects; assisting the six Governorates in updating the training syllabus; training for trainers in good servicing practices based on the new curriculum (one training session per Governorate); integrating good practices into the National Occupational Competency Standards (NOCS); upgrading the existing National Qualification Framework and NOCS to include good servicing practices; training 120 certification evaluators in six Governorates based on the new competency-based assessment; assisting the assessment and qualification-awarding bodies in updating the evaluation criteria; providing training tools/equipment[16] to training schools and the qualification assessment-awarding institutes; certifying RAC technicians through a campaign covering assessment test costs; updating the Master Trainer Workshop for 60 trainees, including two resource persons per training and local organization and coordination for workshops; continued implementation of the training programme on good servicing practices for 1,120 RAC technicians (increased to 2,000 upon discussion with the Secretariat) in collaboration with local institutes; certification of an additional 610 technicians through UNEP's refrigerant driver license (RDL) programme; strengthening the RAC associations and networking to raise awareness among technicians and support the training and certification programme (UNEP) (US $1,090,800);

(d) *Implementation of the national recycling, recovery and reclamation (RRR) scheme*: Developing local guidelines and business model for the reclaiming centre based on the outcome of the feasibility study for the refrigeration reclamation scheme completed in stage I; completion of the establishment of two national reclamation centres (including the one started in stage I); establishing a RRR network consisting of 200 recovery units and ancillary equipment capable to handle HFC-based refrigerants; establishment of

[16] Including refrigerant recovery units and cylinders, portable leak detectors, manifolds, refrigerant weight scales, vacuum pumps, nitrogen pressure regulators and other tools.

two training centres at selected technical colleges and provision of training and awareness-raising workshops on RRR[17] operations; and development of certification procedures for reclamation centre hosts, RAC technicians and servicing workshops; (UNIDO) (US $597,200);

(e) *Promotion of low-GWP technologies:* Dissemination of information on emerging technologies in the RAC manufacturing and servicing sectors in collaboration with RAC associations; research on the safety and performance of low-GWP technologies; technical assistance (TA) to large end-users to reduce refrigerant leaks and facilitate transition to non-ODS and low-GWP alternatives; TA to establish a country-wide registration system to track refrigerant management; feasibility study on the final disposal of unwanted refrigerants; continued campaign on HCFC phase-out and alternative technologies in the local language (including newspaper ads, articles in journals, videos, and roundtables); celebration of World Refrigeration Day; and launching the RDL programme under stage II of the HPMP (UNEP) (US $288,000); and

(f) *Development of standards for products and services:* Completion of the development of standards and codes started in stage I and their adoption, and development of additional standards for *inter alia* the operation of the reclamation centres, the introduction of long-term alternatives, operating procedures for handling flammable and hazardous refrigerants (e.g., hydrocarbon and ammonia) (UNEP) (US $72,000).

Project management team (PMT)

39. The PMT established under stage I of the HPMP will continue into stage II, with the national ozone unit monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of these activities amounts to US $150,000 (UNEP) (US $144,000 for staff and consultants; US $2,000 for office rent; US $2,000 for travel, including terminal charges; and US $2,000 for miscellaneous expenses).

Gender policy implementation[18]

40. The implementation of the gender policy during the fourth tranche of stage I and stage II of the HPMP is discussed in paragraph 22.

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

41. The total cost of stage II of the HPMP for Kuwait has been estimated at US $2,550,000 (plus agency support costs), as originally submitted, to achieve the 67.5 per cent reduction from its HCFC baseline consumption by 2025. The proposed activities and cost breakdown are summarized in Table 7.

Table 7. Total cost of stage II of the HPMP for Kuwait as submitted

Activity	Agency	Cost (US $)	HCFC phase-out		Cost-effectiveness (US $/kg)
			mt	ODP tonnes	
Policy and enforcement capacity-building	UNEP	220,000	500	27.50	4.80
Training of customs and enforcement officers	UNEP	132,000			
Training and certification of RAC technicians	UNEP	1,090,800			
Promotion of low-GWP technologies	UNEP	288,000			

[17] The legal framework in Kuwait prohibits discharging controlled refrigerants into the atmosphere during repair and maintenance of RAC equipment.
[18] 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 $)	HCFC phase-out		Cost-effectiveness (US $/kg)
			mt	ODP tonnes	
Development of standards for products and services	UNEP	72,000			
Monitoring and reporting	UNEP	150,000			
Sub-total UNEP		**1,952,800**			
Implementation of the national RRR scheme	UNIDO	597,200			
Sub-total UNIDO		**597,200**			
Additional voluntary reductions			1,153.55	68.28	n/a
Total		**2,550,000**	**1,653.55**	**95.78**	**1.54**

<u>Activities planned for the first tranche of stage II</u>

42. The first funding tranche of stage II of the HPMP at the total amount of US $1,452,400 will be implemented between January 2022 and December 2023 and will include the following activities:

(a) *Policy and enforcement capacity-building:* All the activities of stage II under this component will be initiated in the first tranche, except for the development of e-registration for servicing workshops, which will start in the second tranche (UNEP) (US $170,000);

(b) *Training of customs and enforcement officers:* All activities of stage II under this component (including training of 20 trainers, 40 customs officers and 40 brokers) will be initiated in the first tranche, except for the training for enforcement officers to support enforcement beyond the customs checkpoints, which will start in the second tranche. (UNEP) (US $74,000);

(c) *Training and certification of RAC servicing technicians:* All activities of stage II under this component will be initiated in the first tranche, including the training and certification of 20 trainers and 600 technicians, training to 60 certification evaluators, certification of 210 technicians through the RDL programme, and provision of equipment and tool sets to two training centres (UNEP) (US $595,800);

(d) *Implementation of the national RRR scheme:* All activities of stage II under this component will be initiated in the first tranche, including the establishment of the first reclaiming centre (with the equipment procured in stage I), distribution of 100 recovery kits and establishment of one training centre at a selected technical college (UNIDO) (US $304,600);

(e) *Promotion of low-GWP technologies:* All activities of stage II under this component will be initiated in the first tranche, including three workshops on refrigerant leak reduction and transition to low-GWP technologies to 60 end-users, two Ozone2Climate Roadshow and World Refrigeration Day celebration (UNEP) (US $173,000);

(f) *Development of standards for products and services:* All activities of stage II under this component will be initiated in the first tranche (UNEP) (US $60,000); and

(g) *PMT*: (UNEP) (US $75,000, including US $72,000 for staff and consultants; and US $3,000 for office rent, travel, and miscellaneous expenses).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

43. 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 2021-2023 business plan of the Multilateral Fund.

Overarching strategy

44. The Government of Kuwait proposes to meet the 67.5 per cent reduction of its HCFC baseline consumption by 2025. The Secretariat notes the following:

(a) Stage I mainly focussed on phasing out HCFCs in the manufacturing sectors (i.e., 87 per cent of the total funds approved were for the manufacturing sector) and, to a lesser extent, the refrigeration servicing sector, which currently is the main user of HCFCs in the country;

(b) For the preparation of stage II, the Government and the implementing agencies, in consultation with stakeholders, undertook an analysis of the remaining uses of HCFCs, taking into account the inventories of existing equipment per application, consumption forecast, and the introduction of alternative technologies;

(c) Activities proposed for the refrigeration servicing sector are a continuation and expansion of the activities initiated under stage I, and will result in the strengthening of the regulatory framework, the completion of the code of practice and the associated technician certification scheme, the establishment of a RRR network, and the adoption of standards and codes for products and services to help adoption of low-GWP alternatives; and

(d) The Government is proposing the following voluntary reductions of HCFC consumption eligible for funding: 18.63 ODP tonnes of HCFC-22 used for the manufacturing of domestic AC units, 39.01 ODP tonnes consumed in the refrigeration servicing sector, and 10.64 ODP tonnes of HCFC-141b contained in imported pre-blended polyols.

45. The Secretariat considers that the completion of ongoing activities under stage I as per the plan of action agreed for the fourth tranche (reflected in paragraphs 15 and 16) should receive priority. However, noting that the Government of Kuwait has committed to finalizing all pending activities under stage I by 30 June 2022, consideration of stage II of the HPMP at the present meeting is necessary to ensure the continuity of assistance and implementation of activities in the servicing sector and to allow the Government to take immediate action for voluntarily phasing out 68.27 ODP tonnes of HCFCs.

46. Considering that a balance of approximately US $1 million from stage I of the HPMP could be immediately available for use in the servicing sector, the Secretariat suggested that the amount associated with the first tranche of stage II be adjusted in order to prioritize the timely completion of stage I. Upon further discussion on the transition from stage I to stage II, the following was agreed:

(a) The first tranche was adjusted from US $1,452,400 to US $920,400; and a third tranche in the amount of US $328,400 was added in 2025 in line with the Multilateral Fund policies;[19] and

(b) The second tranche could be considered only after UNEP and UNIDO had submitted a confirmation that all tranches of stage I had been operationally completed, the project

[19] Decision 62/17

completion report has been submitted, and balances had been returned to the Fund.

47. The revised tranche distribution for stage II of the HPMP is reflected in Table 8 below.

Table 8. Submitted and agreed tranche distribution for stage II of the HPMP for Kuwait

	2021	2022	2023	2024	2025
As submitted					
UNEP	1,147,800	0	805,000	0	0
UNIDO	304,600	0	292,600	0	0
Total	**1,452,400**	**0**	**1,097,600**	**0**	**0**
As agreed					
UNEP	670,840	0	1,013,560	0	268,400
UNIDO	249,600	0	287,600	0	60,000
Total	**920,440**	**0**	**1,301,160**	**0**	**328,400**

48. Following the revision of funding tranche distribution, the first tranche was adjusted as follows:

(a) Policy and enforcement capacity-building, including the initiation of the update to the e-licensing and monitoring system to link it to the Ministry of Trade; initiation of the development of a mandatory qualification requirement for RAC servicing technicians and an e-registration systems for RAC technicians and servicing workshops; development of a policy and standard for the reclamation centre; and continued targeted awareness campaign aimed at Government authorities and stakeholders regarding the introduction and enforcement of new regulations (US $94,000);

(b) Training of customs and enforcement officers, including training of 20 trainers, 20 customs officers and 20 brokers (US $26,000);

(c) Training and certification of RAC servicing technicians, including the training and certification of 20 trainers and 240 technicians, training of 40 certification evaluators, certification of 100 technicians through the RDL programme, and provision of equipment and tool sets to two training centres (US $267,840);

(d) Implementation of the national RRR scheme, including the establishment of the first reclaiming centre and procurement, distribution of 50 recovery kits and establishment of one training centre at a selected technical college (US $249,600);

(e) Promotion of low-GWP technologies including three workshops on refrigerant leak reduction and transition to low-GWP technologies to 60 end-users, two annual Ozone2Climate Roadshow and World Refrigeration Day celebration (US $173,000);

(f) Development of standards for products and services (US $60,000); and

(g) PMT (US $50,000).

HCFC reduction commitments in stage II of the HPMP

49. Noting that the reported HCFC consumption of 253.82 ODP tonnes in 2020 contained 85.42 ODP tonnes that were used in the XPS and PU foam sectors and will be phased out when the conversion of these two sectors is completed in 2021, the Secretariat asked whether the Government would be in a position to commit to intermediate reductions between 2022 and 2025, which would prevent consumption in the refrigeration servicing sector from increasing during that period.

50. UNEP explained that the maximum allowable consumption of 254.51 ODP tonnes proposed for the years 2021 to 2024 is already below the Montreal Protocol target of 272.09 ODP tonnes and below the demand of HCFC-22 for servicing. A further reduction commitment would not be possible as securing the required supply of HCFC-22 for the servicing sector is of critical importance for Kuwait due to the lack of any suitable alternatives for the climatic conditions in the country.[20] The Government expects to reduce the supply and demand gap in the servicing sector by system-leak reduction, refrigerant recovery and reclamation and gradual increase of suitable ODS-free technologies as they become available. Thus, the Government is proposing to maintain the target of 67.5 per cent reduction for the year 2025 rather than adopting a lower one.

Voluntary reductions of HCFC consumption in stage II

51. Regarding the voluntary reductions of HCFC-141b contained in imported pre-blended polyols, UNEP indicated that although the remaining enterprises will be converted with their own funds, the Government of Kuwait will promote their conversion to low-GWP alternatives.

52. The voluntary reductions of HCFC-22 in the manufacturing of domestic AC equipment were estimated based on the consumption in that sector at the time the starting point was established. Accordingly, that value (18.63 ODP tonnes) is being deducted from the remaining eligible consumption. The Secretariat noted that consumption in this sub-sector in 2020 had already been reduced to 6.60 ODP tonnes, as the use of HCFC-22 by these manufacturers has already started declining and is possibly being replaced by HFC-based production that is the technology available at present. These enterprises, if eligible, may request assistance in the future to phase out HFCs under the Kigali Amendment once low-GWP alternatives become available in the country. UNEP explained that at present these enterprises cannot convert to low-GWP technology and for this reason, no funds are being requested for their phase-out of HCFC-22. The Government of Kuwait has committed to banning the import and manufacturing of HCFC-based equipment from 1 January 2025.

Technical and cost-related issues

53. The following issues were discussed and satisfactorily addressed:

(a) With regard to the purpose and the level of funds allocated to the promotion of low-GWP alternatives, UNEP explained that extensive TA and awareness were needed to support policy makers, importers, industry and end-users in the long-term adoption of low-GWP alternatives, given the challenges being faced by Kuwait to introduce them under their climatic conditions; as similar activities were included under stage I, US $90,000 was reallocated to additional training of refrigerant technicians, reducing the cost of the activity to US $198,000;

(b) Noting the large number of technicians in the country (estimated at 44,965), it was agreed that the US $90,000 reallocated from the promotion of low-GWP alternatives will be used for increasing the number of technicians to be trained and certified from 1,120 to 2,360. The mandatory certification requirement for RAC technicians to be established by the end of 2021, will result in additional technicians opting for training. With the reallocation of funds from the promotion of low-GWP alternatives, the revised funding of this component amounts to US $1,180,800; and

(c) Noting that the development of standards and codes was included in both stages I and II, clarification was sought on a potential duplication of the request. UNEP explained that the

[20] Between June and August, daytime temperature is around 45-46 °C and around 29-30 °C at night. High-temperature records are around 52-53 °C.

standards and codes developed during stage I were focused on the sound management of HCFCs, while those proposed in stage II, will be developed to facilitate the introduction of long term low-GWP alternatives; and

(d) Regarding the RRR project, UNIDO clarified that stage II activities planned under this component were complementary to those initiated in stage I; the reclaiming operator will pay a set price for the recovered gas and act as a refrigerant bank to supply reclaimed refrigerant to users; the sustainability of this project is supported by the existing legal framework that prohibits discharging controlled refrigerants into the atmosphere when servicing or maintaining RAC equipment, and that the RRR equipment will also be suited to handle HFC-based refrigerants.

Total project cost

54. The total cost for stage II of the HPMP amounts to US $2,550,000, as submitted, with the revised tranche distribution presented in Table 8 above.

Impact on the climate

55. 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 the savings of approximately 1.8 CO_2-equivalent tonnes. A calculation of the impact on the climate was included in the HPMP, and the activities planned by the Government of Kuwait, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reclaiming, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

56. Co-financing is foreseen by enterprises in the PU foam and domestic AC manufacturing sectors, and voluntary reductions in the servicing sector for those two sectors as well as the XPS foam sector amount to 1,153.55 mt (68.28 ODP tonnes) of HCFCs. The Government of Kuwait has committed to providing in-kind contribution to the implementation of certain activities under the policy and regulatory component of the HPMP.

2021-2023 draft business plan of the Multilateral Fund

57. UNEP and UNIDO are requesting US $2,550,000, plus agency support costs, for the implementation of stage II of the HPMP for Kuwait. The total requested value of US $2,453,114, including agency support costs for the period of 2021–2023, is US $1,029,365 below the amount in the business plan.

Draft Agreement

58. A draft Agreement between the Government of Kuwait 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

59. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Kuwait for the period from 2021 to 2025 to reduce HCFC consumption by 67.5 per cent of the country's baseline, in the amount of US $2,816,612, consisting of US $1,952,800, plus agency support costs of US $224,808 for UNEP, and US $597,200, plus agency support costs of US $41,804 for UNIDO;

(b) Noting the commitment of the Government of Kuwait:

(i) To reduce HCFC consumption by 39.2 per cent of the country baseline by 2021 and 67.5 per cent by 1 January 2025;

(ii) To establish a ban on the manufacturing and imports HCFC-22-based equipment by 1 January 2025;

(iii) To establish a ban on the imports and use of HCFC-141b contained in pre-blended polyols by 1 January 2025;

(c) Deducting 95.78 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(d) Approving the draft Agreement between the Government of Kuwait 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;

(e) That, to allow for consideration of the second tranche of the HPMP, UNEP and UNIDO should confirm completion of stage I of the HPMP, submit the project completion reports and return any unused balances to the Fund; and

(f) Approving the first tranche of stage II of the HPMP for Kuwait, and the corresponding tranche implementation plan, in the amount of US $1,015,140, consisting of US $670,840, plus agency support costs of US $77,228 for UNEP, and US $249,600, plus agency support costs of US $17,472 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF KUWAIT 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 the State of Kuwait (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 136.05 ODP tonnes by 1 January 2025 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 rows 4.1.3, 4.2.3, 4.3.3, 4.4.3 and 4.5.3 (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;

(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;

(c) Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off date), would not receive financial assistance. This information would be reported as part of the Tranche

Implementation Plan;

(d) The Country commits to examining the possibility of using pre-blended systems with low-global-warming-potential blowing agents instead of blending them in-house, for those foam enterprises covered under the Plan, should this be technically viable, economically feasible and acceptable to the enterprises;

(e) The Country agrees, in cases where HFC technologies have been chosen as an alternative to HCFCs, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations standards and incentives adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports; and

(f) 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. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNIDO 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 row 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	260.45
HCFC-123	C	I	0.28
HCFC-141b	C	I	75.19
HCFC-142b	C	I	82.68
Sub-total			**418.60**
HCFC-141b contained in imported pre-blended polyols	C	I	10.64
Total			**429.24**

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	272.09	272.09	272.09	272.09	136.05	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	254.51	254.51	254.51	254.51	136.05	n/a
2.1	Lead IA (UNEP) agreed funding (US $)	670,840	0	1,013,560	0	268,400	1,952,800
2.2	Support costs for Lead IA (US $)	77,228	0	116,682	0	30,898	224,808
2.3	Cooperating IA (UNIDO) agreed funding (US $)	249,600	0	287,600	0	60,000	597,200
2.4	Support costs for Cooperating IA (US $)	17,472	0	20,132	0	4,200	41,804
3.1	Total agreed funding (US $)	920,440	0	1,301,160	0	328,400	2,550,000
3.2	Total support costs (US $)	94,700	0	136,814	0	35,098	266,612
3.3	Total agreed costs (US $)	1,015,140	0	1,437,974	0	363,498	2,816,612
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						84.86
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)						81.25
4.1.3	Remaining eligible consumption of HCFC-22 (ODP tonnes)						94.34
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)						0.28
4.2.2	Phase-out of HCFC-123 to be achieved in the previous stage (ODP tonnes)						0.00
4.2.3	Remaining eligible consumption of HCFC-123 (ODP tonnes)						0.00
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)						0.00
4.3.2	Phase-out of HCFC-141b to be achieved in the previous stage (ODP tonnes)						75.19
4.3.3	Remaining eligible consumption of HCFC-141b (ODP tonnes)						0.00
4.4.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)						0.00
4.4.2	Phase-out of HCFC-142b to be achieved in the previous stage (ODP tonnes)						82.68
4.4.3	Remaining eligible consumption of HCFC-142b (ODP tonnes)						0.00
4.5.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)						10.64
4.5.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in the previous stage (ODP tonnes)						0.00
4.5.3	Remaining eligible consumption of HCFC-141b contained in imported pre-blended polyols (ODP tonnes)						0.00

*Date of completion of stage I, as decided at the 88th meeting: 30 June 2022.

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 National Ozone Unit (NOU) is the central administrative unit established within the administrative structure of Ministry of Environment and is responsible for:

(a) The co-ordination of governmental activities with respect to the ozone layer protection and facilitation of ODS phase-out;

(b) Overall co-ordination of national activities towards the Plan implementation;

(c) Management of the implementation of the planned project activities in cooperation with the Lead IA; and

(d) Designating an independent and certified auditor to audit and verify ODS consumption reported by the Government through Article 7 and Country Programme reports.

2. The monitoring role is with the Project Management Unit (PMU) and includes the following:

(a) Day-to-day implementation of investment projects (where applicable), training programmes, technical assistance and awareness-raising activities included in the approved HPMPs;

(b) Providing support to the NOU and the independent verifier on the verification process (e.g., meetings with relevant stakeholders, data collection co-ordination, and input on review findings);

(c) Under the supervision of the NOU, co-ordinating with non-governmental stakeholders, Government department(s), industrial associations, research institutes, training institutes, the Standards Bureau and the Statistics Bureau for the implementation of the Plan activities; and

(d) While the main responsibility for data gathering, analysis and reporting remains within the NOU, in some cases the PMU participates in collecting and analyzing consumption data pertaining to the controlled substances associated with the Plan implementation.

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 $53.25 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.