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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 PROPOSAL: IRAN (Islamic Republic of)

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

Phase-out

- HCFC phase-out management plan (stage II, third tranche) — UNDP, UNEP, UNIDO, Germany, and Italy

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Iran (Islamic Republic of)

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC Phase-Out Plan (Stage II)	UNDP (lead), UNEP, UNIDO, Germany, Italy	77th	75% by 2023

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2019	63.79 (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		0.93		22.23	35.03				58.19
HCFC-141b		1.05		4.55					5.60

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	380.50	Starting point for sustained aggregate reductions:	380.50
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	308.76	Remaining:	71.74

(V) BUSINESS PLAN		2020	2021	2022	Total
UNDP	ODS phase-out (ODP tonnes)	18.81	6.68	3.47	28.96
	Funding (US $)	1,399,539	496,727	257,870	2,154,136
UNEP	ODS phase-out (ODP tonnes)	2.45	0	2.01	4.46
	Funding (US $)	191,129	0	157,400	348,529
UNIDO	ODS phase-out (ODP tonnes)	7.54	6.44	1.06	15.04
	Funding (US $)	560,680	478,973	79,180	1,118,833
Germany	ODS phase-out (ODP tonnes)	4.10	8.60	1.39	14.09
	Funding (US $)	317,426	666,018	107,877	1,091,321
Italy	ODS phase-out (ODP tonnes)	0	0	0	0
	Funding (US $)	0	0	0	0

(VI) PROJECT DATA			2016	2017	2018	2019***	2020	2021	2022	2023	Total
Montreal Protocol consumption limits			342.45	342.45	342.45	342.45	247.33	247.33	247.33	247.33	n.a.
Maximum allowable consumption (ODP tonnes)			342.45	342.45	266.35	266.35	247.33	247.33	247.33	95.13	n.a.
Agreed funding (US $)	UNDP	Project costs	1,298,170	0	1,593,980	0	1,307,980	464,231	241,000	0	4,905,361
		Support costs	90,872	0	111,579	0	91,559	32,496	16,870	0	343,375
	UNEP	Project costs	200,000	0	190,000	0	170,000	0	140,000	0	700,000
		Support costs	24,857	0	23,614	0	21,129	0	17,400	0	87,000
	UNIDO	Project costs	473,567	0	584,000	0	**524,000	447,638	74,000	0	2,103,205
		Support costs	33,150	0	40,880	0	**36,680	31,335	5,180	0	147,224
	Germany	Project costs	645,500	0	*1,047,035	0	285,009	598,000	96,860	0	2,672,404
		Support costs	73,420	0	*119,092	0	32,417	68,018	11,017	0	303,964
	Italy	Project costs	403,203	0	504,004	0	0	0	0	0	907,207
		Support costs	48,797	0	60,996	0	0	0	0	0	109,793
Funds approved by the ExCom (US $)		Project costs	3,020,440	0	0	3,919,019	0				6,939,459
		Support costs	271,096	0	0	356,161	0				627,257
Total funds requested for approval at this meeting (US $)		Project costs					2,286,989				2,286,989
		Support costs					181,785				181,785

* US $126,545, plus agency support costs of US $14,393 for the Government of Germany were deducted from the second tranche, in line with decision 80/21(c).
** US $375,701, plus agency support costs of US $26,299 for UNIDO will be deducted from the third tranche, in line with decision 84/74(a)(iv)).
*** The second tranche was expected to be submitted in 2018.

Secretariat's recommendation:	Blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of the Islamic Republic of Iran, UNDP as the lead implementing agency has submitted a request for funding for the third tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US $2,468,774, consisting of US $1,307,980, plus agency support costs of US $91,559 for UNDP; US $524,000, plus agency support costs of US $36,680 for UNIDO; US $285,009, plus agency support costs of US $32,417 for the Government of Germany, and US $170,000, plus agency support costs of US $21,129 for UNEP. The submission includes a progress report on the implementation of the second tranche of stage II, the verification report on HCFC consumption for 2018 to 2019 and the tranche implementation plan for 2021 to 2022.

Report on HCFC consumption

2. The Government of the Islamic Republic of Iran reported a consumption of 63.79 ODP tonnes of HCFC in 2019, which is 83 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in the Islamic Republic of Iran (2015-2019 Article 7 data)

HCFC	**2015**	**2016**	**2017**	**2018**	**2019**	**Baseline**
Metric tonnes (mt)						
HCFC-22	2,783.22	2,922.89	2,120.28	1,810.64	1,058.09	2,974.55
HCFC-141b	1,420.00	1,020.18	1,024.08	576.12	50.88	1,971.82
Total (mt)	**4,203.22**	**3,943.07**	**3,144.96**	**2,386.76**	**1,108.97**	**4,945.80**
ODP tonnes						
HCFC-22	153.08	160.76	116.62	99.59	58.19	163.60
HCFC-141b	156.20	112.22	112.65	63.37	5.60	216.90
Total (ODP tonnes)	**309.28**	**272.98**	**229.28**	**162.96**	**63.79**	**380.50**

3. The steady decrease in the level of consumption has been in part due to the implementation of the activities in stage I (already completed) and stage II of the HPMP, in particular the advanced stage of conversion of several enterprises in the polyurethane (PU) foam sector, where HCFC-141b demand has been significantly reduced. Since 2017, the fluctuations in the national economy triggered by the international sanctions have caused a significant decrease in HCFC consumption as the country has restricted access to the supply chain of HCFCs, raw material and equipment required for the conversion to alternative technologies, also resulting in price increases. It is believed that the economic slowdown will be temporary, and as the economic situation stabilizes, it is expected that consumption of HCFC and alternatives will return to normal levels.

Country programme (CP) implementation report

4. The Government of the Islamic Republic of Iran 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

5. The verification 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 2018 to 2019 was correct (as shown in Table 1 above). The verification concluded that the Islamic Republic of Iran has met the reduction targets from the starting point in compliance with the country's Agreement with the Executive Committee for their HPMP.

Legal framework

6. In line with its commitment reflected in decision 77/44(b)(iii), the Government of the Islamic Republic of Iran issued a ban on the establishment of new manufacturing capacity using HCFC-22, which took effect on 1 January 2020. The ban is enforced by the national monitoring and controlling framework comprised of the Ministry of Industry, Mine and Trade, the provincial branches of the Department of Environment, the National Ozone Unit (NOU), and the representatives of National Ozone Cells.

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

Activities in the foam manufacturing sector (UNDP, UNIDO, Governments of Germany and Italy)

7. Stage II of the HPMP includes the conversion of all eligible HCFC-based PU foam manufacturing enterprises to cyclopentane or water-blown technologies. Table 2 presents a summary of the activities related to the foam sector as approved.

Table 2. Summary of phase-out activities in the foam sector included in stage II of the HPMP*

Activity	Consumption (HCFC-141b)		Cost (US $)
	mt	ODP tonnes	
Individual conversion of nine enterprises in domestic refrigeration and discontinuous panels (UNIDO/Italy)	213.30	23.46	1,612,002
Group conversion of 42 enterprises manufacturing domestic refrigeration, sandwich panels, integral skin and spray foam (UNIDO/Italy)	231.40	25.45	1,158,410
Individual conversion of three enterprises manufacturing panels for commercial refrigeration equipment (UNDP)	55.50	6.11	541,771
Group conversion of 40 enterprises manufacturing panels for commercial refrigeration equipment (UNDP)	260.20	28.62	1,129,130
Conversion of two enterprises manufacturing integral skin foam (Germany)	39.00	4.29	168,350
Technical assistance for development of cyclopentane polyol systems to a systems house (UNDP)	-	-	225,500
Technical assistance for development of water-blown polyol systems to a systems house (Germany)	-	-	50,000
Technical assistance to 94 small and medium-sized enterprises (SMEs) (Germany)	-	-	545,094
Total	**799.40**	**87.93**	**5,430,257**

* As approved.

8. The verification of foam enterprises to determine their current baseline of HCFC consumption and equipment in operation, and thus their funding eligibility, continues to be undertaken by the bilateral and implementing agencies with local staff support, but under the limitations of the COVID-19 pandemic-related lockdowns. In line with decision 84/74(c)(i), UNDP submitted a detailed report on the status of the conversion of each of the foam projects covered under stage II. The details in each of the PU foam sector sub-projects is presented in Table 3 below.

Table 3. Status of progress of the PU foam sector plan*

Alternative	Agency	Progress
Individual conversions of five enterprises in domestic refrigeration and discontinuous panels (12.18 ODP tonnes)		
Cyclopentane	UNIDO Italy	Equipment procurement for the five enterprises completed for delivery by mid-2021, and conversions to be completed by the end of 2021, subject to local conditions in light of the COVID-19 pandemic.
Group sub-project for conversion of 42 SMEs in several applications		
Pre-blended hydrocarbon (HC), CO_2	UNIDO Italy	Equipment procurement ongoing for the conversion of five SMEs to pre-blended PU with pentane, and nine SMEs to water-blown system;

Alternative	Agency	Progress
		delivery expected by mid-2021 and conversions completed by the end of 2021, subject to local conditions in light of the COVID-19 pandemic. Two spray foam and additional eligible SMEs will start their conversions during 2021; currently UNIDO is assisting the spray foam enterprises to ensure a supply of low-global-warming potential (GWP) blowing agent. Twenty-two SMEs were preliminarily classified as inactive; further action required to confirm eligibility, financial viability and current consumption of HCFC-141b.
Individual conversion of three enterprises manufacturing panels for commercial refrigeration equipment		
Cyclopentane	UNDP	Enterprises' eligibility confirmed, initial trials completed and cyclopentane-based product specification defined; technical specifications for equipment conversion finalized and procurement process being finalized. Equipment expected to be delivered by the end of 2020, installation and completion of the conversions expected by the first quarter of 2021, subject to local conditions in light of the COVID-19 pandemic.
Group conversion of 40 enterprises manufacturing panels for commercial refrigeration equipment		
CO_2	UNDP	Equipment conversion kits installed in 15 enterprises in December 2019. Spare parts and pre-blended polyols for trials and testing batches were expected in February 2020, but postponed to November 2020 due to the lockdown of the European supplier caused by the COVID-19 pandemic. Conversions are expected to be completed by first half of 2021, subject to local conditions in light of the COVID-19 pandemic.
Conversion of two enterprises manufacturing integral skin foam		
CO_2	Germany	Enterprises' eligibility confirmed, equipment procurement ongoing, and conversions expected to be completed by the end of 2020 in one case and first half of 2021 for the second enterprise.
Technical assistance for development of cyclopentane systems to one systems house		
Cyclopentane	UNDP	Equipment was expected to be delivered and installed in December 2019, but delayed due to plant safety modifications required by the local fire department; further delay was caused by the COVID-19 pandemic in Europe. Equipment expected to be delivered in November 2020 and project completed by first half of 2021, subject to local conditions in light of the COVID-19 pandemic.
Technical assistance for development of water-blown systems to a systems house; technical assistance to 94 SMEs		
CO_2	Germany	Technical assistance provided to the systems house to develop water-based systems. Suppliers have been contacted in different countries to secure the supply of additives (e.g., catalysts, surfactants) to develop and optimize water-based systems. Direct assistance to SMEs has focused on converting insulation panels in commercial refrigeration applications. Technical assistance to develop pentane-based systems was also provided to the systems house being converted by UNDP.

* Number of assisted enterprises taking into consideration decision 84/47(a) and (b).

<u>Activities in the commercial refrigeration manufacturing sector (UNDP, Germany)</u>

9. Stage II of the HPMP included the conversion of all the HCFC-based SMEs in the commercial refrigeration manufacturing sector in the country, with R-290 as the selected alternative technology. The 15 SMEs (out of the 48 included in stage II) that completed the conversion of their manufacturing capacity to R-290 from the previous tranches are in the process of procuring a second batch of material to ensure the use of electronic expansion valves. Conversion of a second group of 17 enterprises which manufacture chest freezers is ongoing; equipment is expected to be delivered during the first quarter of 2021 and the conversions are expected to be completed during the second quarter of 2021; while technical assistance and training will be provided by the Government of Germany as soon as travel restrictions are lifted.

10. Notwithstanding the implementation challenges caused by the COVID-19 pandemic, the Government of Germany continued to provide technical assistance for these enterprises; it supported the design of cabinets and refrigeration circuits, prepared and provided technical information on subjects such as compressors and air-flow cabinets, and continued to provide advice and information on the results of the conversions to R-290 through digital means.

Refrigeration servicing sector (UNEP, UNIDO, UNDP and Germany)

11. The following activities were implemented in the refrigeration servicing sector:

(a) Training equipment (e.g., recovery units, cylinders, manifolds, leak detectors, tube cutters, lokrings) was delivered to the six Technical and Vocational Training Organization (TVTO) centres assisted. The centres were re-visited, their capability to handle flammable gases was reassessed, and additional training was provided. One additional TVTO centre was added to the project with the remaining funds (UNIDO);

(b) Five hundred copies of the “Green Customs Guidebook” and 1,000 copies of the “Customs Quick Tools Poster” were reprinted and provided to customs offices; and 2,000 copies of the “Kigali Timeline Poster” were translated and published (UNEP). The ISO 5149-1standard was translated and drafted in Persian language and will be published by the end of 2020. Training of customs officers and master trainers on refrigeration could not take place in person due to limitations imposed by the COVID-19 pandemic. Three webinars will be provided in the near future to refrigeration technicians on the technician certification programme and low-GWP alternatives to HCFCs, and to customs officers on ODS risk profiling (UNEP);

(c) One operator was identified for the refrigerant distribution system and the operational procedures to implement the system are being determined. Technical specifications for the equipment required (i.e., industrial recovery and recycling equipment, multi-use refrigerant bottles, storage cylinders, laboratory equipment, cylinder charging equipment and cylinder cleaning) have been prepared to start the procurement process (UNDP);

(d) A training handbook on the use of CO_2-based technology has been prepared and is being translated; agreements were signed with three servicing and assembling enterprises for technical assistance with the introduction of CO_2-trans-critical refrigeration systems in commercial refrigeration; and other CO_2-based-equipment-specific documentation has been prepared and translated into Farsi for these enterprises. The training handbook for the technician certification was prepared and delivered to the TVTO. Due to the restrictions imposed by the COVID-19 pandemic, planned workshops in person could not take place. A short virtual workshop was held to explore the opportunities for virtual training and evaluate a local trainer, resulting in the first virtual training on CO_2-technology planned for the next tranche (Germany); and

(e) Locally manufactured cylinders for refrigerant storage have received certification by the Institute of Standards and Industrial Research of Iran supporting the standards for refillable cylinders and are ready for production; the guidelines for the use of the cylinders are being prepared (Germany).

Project implementation and monitoring unit (PMU)

12. The PMU established during stage I continues to assist in the implementation and monitoring of stage II. Activities by the PMU have included the recruitment of staff/consultants; the preparation of annual work plans and progress reports; site visits for ongoing projects; the preparation of specifications and the

coordination of equipment procurement and liaison with implementing partners; the delivery and verification of equipment procured; administrative and financial affairs related to project implementation; coordination and implementation of the non-investment activities; and cooperation with the bilateral and implementing agencies involved in the project. The PMU costs incurred since the first tranche are presented in Table 4.

Table 4. PMU costs (US $)

Particulars	**Approved in principle**	**Approved first two tranches**	**Disbursed first two tranches**
Project implementation and coordination (staff costs, national stakeholder meetings, computers and office electronic equipment, furniture and equipment, stationery and printing, communication costs, operational and overhead costs)	500,000	150,000	96,540
Project monitoring (periodic site visits to enterprises to monitor progress; preparation and submission of annual work plans and periodic progress reports)	80,000	38,585	19,939
Policies and regulations (stakeholder meetings for project progress assessment and project planning and implementation)	30,000	25,000	7,096
Capacity-building (government stakeholder training workshops)	10,000	15,000	923
Total	**620,000**	**228,585**	**124,498**

Level of fund disbursement

13. As of September 2020, of the US $6,939,459 approved so far, US $2,432,646 had been disbursed (US $897,426 for UNDP, US $317,257 for UNIDO, US $72,956 for UNEP, US $1,097,786 for the Government of Germany, and US $47,221 for the Government of Italy) as shown in Table 5. The balance of US $4,506,813 will be disbursed in 2021-2022.

Table 5. Financial report of stage II of the HPMP for the Islamic Republic of Iran (US $)

Agency	**First tranche**		**Second tranche**		**Total approved**	
	Approved	**Disbursed**	**Approved**	**Disbursed**	**Approved**	**Disbursed**
UNDP	1,298,170	664,051	1,593,980	233,375	2,892,150	897,426
UNIDO	473,567	200,311	584,000	116,946	1,057,567	317,257
UNEP	200,000	72,956	190,000	0	390,000	72,956
Germany	645,500	645,500	1,047,035	452,286	1,692,535	1,097,786
Italy	403,203	47,221	504,004	0	907,207	47,221
Total	**3,020,440**	**1,630,039**	**3,919,019**	**802,607**	**6,939,459**	**2,432,646**
Disbursement rate (%)	54		20		35	

Implementation plan for the third tranche of the HPMP

14. The following activities will be implemented between January 2021 and December 2023:

PU foam conversions

(a) Completing the individual conversion of five foam-manufacturing enterprises to cyclopentane and group conversion of the first 14 SMEs to pre-blended PU with pentane and water-blown technology; and converting the two spray foam enterprises and any remaining eligible SMEs (UNIDO and the Government of Italy) (US $148,299 for UNIDO);

(b) Completing the conversion of three individual foam-manufacturing enterprises and 15 SMEs; converting 10 additional verified enterprises; installing equipment in one systems house and completing its conversion (UNDP) (US $283,475); and

(c) Completing the development of water-blown systems with the assisted systems house and the conversion of the two integral skin foam enterprises; and delivering training on adopted low-GWP technologies to PU foam enterprises assisted under stage II (Germany) (US $139,754);

Commercial refrigeration conversions

(d) Providing additional equipment for the conversions completed in the first two tranches; and completing the conversion of an additional 17 enterprises (UNDP) (US $576,090);

(e) Providing training to commercial refrigeration enterprises assisted under stage II on low-GWP technologies; preparing further training materials on handling CO_2 and other refrigerants; analyzing existing training materials and standards and integrating European Union training standards; issuing guidelines for the use of refillable cylinders; preparing new virtual training modules on low-GWP technologies (i.e., R-290- and CO_2-based technologies); introducing a ban on non-refillable cylinders; promoting CO_2-based technology as an alternative to centralized refrigeration systems; demonstrating the operation of an HC-based chiller unit with high-tech controls; and capacity-building on the use of electronic expansion valves (Germany) (US $145,255);

Refrigeration servicing sector

(f) Adopting changes in the regulation to strengthen the implementation of the quota and licensing system; organizing one refresher train-the-trainers workshop on good servicing practices for refrigeration and air-conditioning (RAC) trainers and 20 training programmes for RAC technicians in collaboration with the assisted TVTO centres; supporting the activities of the RAC association; providing support to the development and implementation of standards led by the Government of Germany, and maintaining and updating the website dedicated to the promotion of low-GWP technologies (UNEP) (US $170,000);

(g) Setting up the second refrigerant distribution system by providing industrial recovery and recycling equipment, multi-use refrigerant bottles, storage cylinders, laboratory equipment, cylinder charging equipment and cylinder cleaning (UNDP) (US $240,000); and

PMU

(h) The PMU will continue to assist in the implementation and monitoring of stage II, through provision of technical assistance, data processing, quality control, preparation of reports, stakeholder meetings, and visits to beneficiary enterprises, at a total cost of US $208,415, including project implementation and coordination (US $110,000); project monitoring (US $65,415); policies and regulations (US $10,000); and capacity building (US $23,000) (UNDP).

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Legal framework

15. The Government of the Islamic Republic of Iran has already issued HCFC import quotas for 2020 at 3,009 mt (222.00 ODP tonnes), including 1,981.81 mt (109.00 ODP tonnes) of HCFC-22 and 1,027.27 mt (113.00 ODP tonnes) of HCFC-141b, which are below the target in its Agreement with the

Executive Committee and the target allowed under the Montreal Protocol. Based on market requirements, this national quota could be increased to up to 247.33 ODP tonnes, in line with the Agreement and Montreal Protocol targets.

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

16. The Secretariat noted the additional progress achieved in all the components of stage II of the HPMP despite the current economic circumstances in the Islamic Republic of Iran, which have been exacerbated by the COVID-19 pandemic. The request for the third tranche complied with the conditions for release of funds based on the substantive progress reported on activities approved under previous tranches and on the disbursement of more than 20 per cent from the funds approved in the previous tranche; however, a significant amount of funds from previous tranches had not been disbursed yet (US $4.51 million, out of US $6.94 million approved).

17. In responding, UNDP provided additional detailed information (by agency and component) demonstrating that an additional US $2,325,092 has already been committed for ongoing activities for which implementation milestones will be accomplished in the coming months. The constraints imposed by the COVID-19 pandemic have slowed down the implementation of some of the activities in stage II, especially those that required visits to enterprises, local travel, and face-to-face meetings. In this regard, stakeholders, bilateral and implementing agencies and project staff, have to put in place safety protocols to ensure minimal risk of exposure of all people involved in project implementation. Equipment procurement processes and delivery were also slowed down because main suppliers located in Europe and China also suffered lockdowns resulting in interruption of production. However, as the eligibility of many enterprises had already been verified before March 2020, bilateral and implementing agencies were able to organize their procurement processes online, including the preparation of technical specifications for the equipment required, drafting of bidding documents, and selection of suppliers when no public bidding was necessary.

18. Based on the information provided, the Secretariat noted that most of those committed funds are related to ongoing equipment procurement processes and delivery and, therefore, are not available to fund new activities. On this basis, the approval of the third tranche will assist the Government of the Islamic Republic of Iran to continue implementing and completing the conversion of the remaining PU foam and commercial refrigeration enterprises, and to continue the technical assistance activities planned in the refrigeration servicing sector.

Status of the PU foam sector

19. In line with decision 84/74(a)(iv),[2] US $375,701 plus agency support cost of US $26,299 are being deducted from the third tranche of the HPMP for UNIDO. Noting the continued decrease in consumption of HCFC-141b in 2019, the Secretariat requested an update on the situation in the PU foam sector. UNDP explained that the decrease in consumption was mostly due to the current economic situation, which has made it difficult for enterprises to import material; because of this situation, compounded by the challenges caused by the COVID-19 pandemic, the demand for PU foam products (and associated consumption of HCFC-141b) will further decrease in 2020.

20. Despite the reduction in HCFC-141b consumption, there is the expectation that the economic situation will improve and that the demand for PU foam (and RAC equipment as well) will return to normal levels, potentially increasing the demand for HCFCs. The assistance being provided to these enterprises at

[2] During the approval of the second tranche at the 84th meeting, in line with existing policies the Committee noted *inter alia* that two enterprises had converted with their own resources before the initiation of the project, and had been removed from stage II, and their associated funding of US $375,701, plus agency support costs of US $26,299, would be deducted from the third tranche approval for UNIDO.

this time is critical to ensure the transition to a low-GWP alternative and avoid a potential re-adoption of HCFC-141b.

21. Bilateral and implementing agencies continue to undertake a thorough verification of eligible enterprises that includes: their recovery plans, assessment of their credit lines in the future for business activities, their financial viability and checking whether they have filed for bankruptcy. In this regard, the submission of the third tranche included a detailed report on the status of the conversion of each of the foam projects, including their financial viability, consumption of HCFC-141b, baseline equipment and alternative technology, in line with decision 84/74(c)(i).

22. In reviewing the information, the Secretariat noted that there have not been any further changes to the projects other than those agreed at the 84th meeting. In the PU foam sector, there are currently 32 SMEs to be assisted (10 by UNDP and 22 by UNIDO), where the verification of eligibility and financial viability will be concluded as soon as the constraints imposed by the COVID-19 pandemic allow (expected to be completed by the time of submission of the fourth tranche at the 88th meeting). The implementing agencies reiterated that they would continue to maintain a rigorous monitoring of the enterprises, and that any enterprise found to be ineligible would not receive funding from the Multilateral Fund.

<u>Commercial refrigeration manufacturing sector (UNDP, Germany)</u>

23. With regard to the first 15 commercial refrigeration manufacturing enterprises that had completed their conversions and had committed to stop manufacturing HCFC-22-based products six months after their initial production with the alternative refrigerant, UNDP clarified that these enterprises are still awaiting additional equipment to resolve technical issues related to the electronic expansion valves required for the finished product. As the delivery of the equipment is expected in November 2020, these enterprises will stop manufacturing HCFC-22-based equipment by July 2021.

24. Nonetheless, UNDP reiterated that the results of the R-290-based production by the 15 enterprises were positive. The enterprises are satisfied with the resulting equipment manufactured so far and with the uptake of the technology. Challenges related to the current supply chain of the R-290 refrigerant will be addressed with the help of the two refrigerant distribution facilities that are being supported by the project, to organize the supply of locally produced refrigerant-grade propane, and centralize distribution channels for the local enterprises. UNDP is also maintaining close collaboration with the other agencies to provide TVTO centres with the tools and equipment required to train technicians to handle flammable refrigerants.

25. The Government of Germany also explained that during 2020 it prioritized technical assistance in the manufacturing sector, which included the provision of manuals and technical information translated into the local language on: the conversion of commercial refrigeration and refrigeration technology, schematics, electrical schematics and cabinet drawings.

Refrigeration servicing sector

26. In clarifying the zero disbursement from the second tranche, UNEP explained that the implementation agreement was signed in April 2020 and the first payment had been made in May 2020. While activities such as booklet printing, virtual meetings and public awareness material had been completed, UNEP had not yet received a financial report associated with these activities, which could therefore not be reported as disbursement yet. The issue related to the transfer of funds reported at the 84th meeting has been resolved.[3]

[3] The UN Secretariat's Treasury established a direct banking channel for UN Secretariat agencies to make payments to implementing partners in the Islamic Republic of Iran.

27. With regard to the way the COVID-19 pandemic has affected activities in the refrigeration servicing sector, the bilateral and implementing agencies involved explained that it has been necessary to postpone scheduled face-to-face training, but no activities have been cancelled. The project has organized some training and meetings in virtual spaces, but experiencing connectivity challenges; for now, these activities will continue on a limited basis as much as connectivity allows. It is expected that as restrictions are lifted, the postponed activities could gradually resume in 2021.

Gender policy implementation[4]

28. Presently, there are few official records or statistics regarding the proportion of women working in the PU foam and RAC sectors in the Islamic Republic of Iran. In line with gender policy requirements, the NOU is working towards ensuring that project committees, management structures and monitoring arrangements are gender-balanced, and that women are involved in decision-making and selection processes. Moreover, the NOU will collect gender-disaggregated data; ensure gender-balanced recruitment panels; encourage women to participate in activities and events that are part of stage II; allocate resources to include gender-related activities in project budgets; and discuss gender issues during the thematic workshops.

Sustainability of the HCFC phase-out

29. The Government of the Islamic Republic of Iran has promulgated regulations that support the conversions in the foam and air-conditioning (AC) manufacturing sectors. Upon completion of the conversion of the room AC manufacturing sector during stage I, the Government established a ban on new manufacturing capacity based on HCFC-22 from 1 January 2020. The Government will also establish a ban on the import and use of HCFC-141b pure or contained in pre-blended polyols for the manufacture of PU foam when the conversion projects in the foam sector have been completed. Commercial refrigeration enterprises that have received assistance (through a conversion kit) have committed to stop manufacturing products using HCFC-22 six months after their initial production with R-290 refrigerant; other enterprises to be provided with the kits in the second and third tranches have also committed to do the same.

Conclusion

30. The Government of the Islamic Republic of Iran continued to effectively implement its HCFC import and export licensing and quota system, achieving compliance with its HCFC consumption targets for 2019, as corroborated by the independent verification report. Notwithstanding difficulties with the supply of raw materials and equipment, as well as restrictions imposed by the COVID-19 pandemic, bilateral and implementing agencies continue to progress in the conversion of commercial refrigeration and PU foam enterprises. A detailed report on the status of the PU foam sector has been prepared and will continue to be updated and presented in future tranches. Despite the postponement of the face-to-face training activities, the Islamic Republic of Iran also advanced in the implementation of activities in the refrigeration servicing sector, including the provision of technical assistance to introduce CO_2 trans-critical refrigeration systems in commercial refrigeration, the production of the ISO-5149-1 standard and additional technical material for technicians in the local language, and webinars on the certification programme and low-GWP alternatives. The bilateral and implementing agencies met the 20 per cent disbursement threshold of the previous tranche and disbursed 35 per cent of the approved funds.

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

RECOMMENDATION

31. The Fund Secretariat recommends that the Executive Committee takes notes of:

(a) The progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan (HPMP) in the Islamic Republic of Iran;

(b) Notes that US $375,701, plus agency support cost of US $26,299 would be deducted from the approval for UNIDO, in line with decision 84/74(a)(iv); and

(c) Requests UNIDO, UNDP and the Governments of Germany and Italy to continue submitting, with each funding tranche request, a detailed report on the status of the conversion of each of the foam projects covered under stage II including the financial viability, the current level of HCFC-141b consumption, the alternative technology selected, the total cost from the Multilateral Fund and the level of co-financing, as applicable, in line with decision 84/74(c).

32. The Fund Secretariat further recommends blanket approval of the third tranche of stage II of the HPMP for the Islamic Republic of Iran, and the corresponding 2020-2022 tranche implementation plan, at the funding levels shown in the table below:

	Project title	Project funding (US $)	Support cost (US $)	Implementing agency
(a)	HCFC phase-out management plan (stage II, third tranche)	1,307,980	91,559	UNDP
(b)	HCFC phase-out management plan (stage II, third tranche)	524,000	36,680	UNIDO
(a)	HCFC phase-out management plan (stage II, third tranche)	285,009	32,417	Germany
(b)	HCFC phase-out management plan (stage II, third tranche)	170,000	21,129	UNEP