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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-fifth Meeting
Montreal, 4–8 December 2024
Item 9(d) of the provisional agenda[1]

PROJECT PROPOSAL: SOMALIA

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, first tranche)	UNIDO	Individual consideration

[1] UNEP/OzL.Pro/ExCom/95/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Somalia

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

(II) LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2022	10.18 ODP tonnes

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year: 2023**
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					10.55				10.55

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	45.1	Starting point for sustained aggregate reductions:	18.1
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	5.75	Remaining:	12.35

(V) ENDORSED BUSINESS PLAN		**2024**	**2025**	**2026**	**Total**
UNIDO	ODS phase-out (ODP tonnes)	2.36	0.00	0.00	2.36
	Funding (US $)	199,227	0	0	199,227

(VI) PROJECT DATA			**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Montreal Protocol consumption limits (ODP tonnes)			29.30	14.65	14.65	14.65	14.65	14.65	0	n/a
Maximum allowable consumption (ODP tonnes)			10.67	5.34	5.34	5.34	5.34	5.34	0	n/a
Project costs requested in principle (US $)	UNIDO	Project costs	608,800	0	0	538,200	0	0	138,000	1,285,000
		Support costs	42,616	0	0	37,674	0	0	9,660	89,950
Total project costs recommended in principle (US $)			608,800	0	0	538,200	0	0	138,000	1,285,000
Total support costs recommended in principle (US $)			42,616	0	0	37,674	0	0	9,660	89,950
Total funds recommended in principle (US $)			651,416	0	0	575,874	0	0	147,660	1,374,950

(VII) Request for approval of funding for the first tranche (2024)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNIDO	608,800	42,616

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Somalia, UNIDO as the designated implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at the amount of US $920,640, plus agency support costs of US $64,445, as originally submitted.[2] The submission includes a progress report on the implementation of stage I of the HPMP and the verification report on HCFC consumption for 2018 to 2023.The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $429,640, plus agency support costs of US $30,075 for UNIDO, as originally submitted.

Status of implementation of stage I of the HCFC phase-out management plan

3. Stage I of the HPMP for Somalia was originally approved at the 67th meeting[3] and revised at the 77th meeting[4] to phase out 5.75 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $315,000, plus agency support costs. Stage I of the HPMP was completed on 30 June 2023, as extended at the 88th meeting, on an exceptional basis, owing to the delays imposed by the COVID-19 pandemic, and further extended to 30 June 2023, as stipulated in decision 91/14(b)(iii).

Report on HCFC consumption

4. The Government of Somalia reported under the country programme (CP) implementation report a consumption of 10.55 ODP tonnes of HCFC in 2023, which is 77 per cent below the HCFC baseline for compliance and 42 per cent below the starting point for sustained aggregate reduction in HCFC consumption of 18.10 ODP tonnes. The 2018–2023 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in Somalia (2018–2023 Article 7 data)

HCFC	2018	2019	2020	2021*	2022	2023*	Baseline	Starting point
Metric tonnes								
HCFC-22	277.5	237.1	191.8	190.0	185.0	191.8	398.3	298.6
HCFC-141b	0.0	0.0	0.0	0.0	0.0	0.0	210.7	0.0
Total (mt)	**277.5**	**237.1**	**191.8**	**190.0**	**185.0**	**191.8**	**608.9**	**298.6**
HCFC-141b in pre-blended polyols***	0.0	0.0	0.8	0.8	14	00.	n/a	**15.27
ODP tonnes								
HCFC-22	15.26	13.04	10.45	10.45	10.18	10.55	21.90	16.42
HCFC-141b	0.00	0.00	0.00	0.00	0.00	0.00	23.17	0.00
Total (ODP tonnes)	**15.26**	**13.04**	**10.55**	**10.45**	**10.18**	**10.55**	**45.07**	**16.42**
HCFC-141b in pre-blended polyols***	0.00	0.00	0.09	0.08	1.54	0.00	n/a	**1.68

*Data from the verification report.
**Starting point established in the Agreement with the Executive Committee (decision 77/56).
***CP data

5. The consumption of HCFCs in Somalia has shown a declining trend from 2018 to 2021 because of the implementation of HPMP activities and the lockdown during the COVID-19 pandemic which reduced

[2] As per the letter of 3 May 2024 from the Ministry of Environment and Climate Change of Somalia to UNIDO.
[3] Decision 67/28
[4] Decision 77/56

HCFC consumption. HCFC consumption increased slightly in 2022 and 2023 due to the recovery of the economy.

Country programme implementation report

6. The Government of Somalia reported HCFC sector consumption data under the 2022 country programme (CP) implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

7. 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 2023 was correct (as shown in table 1 above), except for 2021, when 177.17 mt of HCFC-22 and 0.77 mt of HCFC-141b were reported, but 190.00 mt of HCFC-22 and 0.77 mt of HCFC-141b in imported pre blended polyols were verified. The country resubmitted the Article 7 report for 2021 on 11 November 2024.

8. The verification concluded that while there had been significant progress in regulatory adherence and data management, several areas required improvement. Compliance with most regulatory standards was satisfactory, with strengths noted in documentation and reporting practices. However, some discrepancies were identified, including minor lapses in data accuracy. The recommendations aimed to make procedural improvements to enhance the current HCFC licensing systems and practices and have been fully reflected in the design of project activities for stage II of the HPMP.

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

Legal framework

9. The Government of Somalia established a licensing and quota system for ozone-depleting substances (ODS) in 2010. The regulation was amended in 2011 to incorporate the specific control measures for the phase-out of HCFC-22 by 2030. It covers both ODSs and ODS-containing equipment, requires the registration of enterprises and individuals involved in the import, distribution and handling of refrigerants, and contains guidelines for the handling of ODS in the servicing sector. The national ozone unit (NOU) is responsible for determining the annual import quotas and the control and monitoring of ODS imports. The Department of Customs, which is under the Ministry of Finance, is responsible for the application of customs legislation in Somalia and has a significant role in the monitoring of ODS imports using an electronic application to collect data on the goods and items containing ODS that are imported into Somalia. In January 2021, the Department of Customs adopted the revised harmonized system (HS) codes of the World Customs Organization, which is able to identify individual HCFCs.

10. The Government of Somalia ratified the Kigali Amendment on 27 November 2019. The country has been reporting HFC consumption since 2019 under Article 7 of the Monreal Protocol and established a licensing system for imports of HFCs on 19 October 2023. This regulation includes provisions for licensing and data reporting for the import and distribution of HFCs, mandatory training for technicians working on RAC equipment, and the recovery and re-use of all fluorinated refrigerants.

11. Under stage I of the HPMP, 52 government officers were trained on the Montreal Protocol, HCFC consumption reduction targets, and the strategies for HCFC phase-out, and 39 customs and enforcement

officers[5] participated in training workshops. Four multifunctional refrigerant identifiers were provided to customs (seaports in Bosaso, Kismayo and Mogadishu) to facilitate the inspection of ODS.

Refrigeration servicing sector

12. During stage I of the HPMP the following activities were accomplished: a training course for RAC technicians was developed; 17 technicians were selected to train as trainers in Seychelles on good servicing practices including refrigerant identification, refrigerant recovery and recycling; 15 technicians were selected for a 10-day training programme in Russia covering good servicing practices, recovery and recycling, safety and environmental requirements, installation, leakage control, and handling flammable refrigerants; subsequently these technicians carried out local training workshops for a total of 190 technicians in good RAC servicing practices and safe handling; and servicing tools and two refrigerant recovery units were provided for training and technical services.

Project implementation and monitoring

13. The NOU ensured the overall project monitoring, evaluation and reporting. In addition, the NOU facilitated the organization of training; the coordination of equipment delivery, collection, inspection, and storage; and the selection of RAC servicing technicians from different regions to participate in training. The cost of those activities for UNEP amounts to US $36,827, and includes consultants, travel, meetings and workshops.

Additional security - related costs

14. The security concerns in Somalia were recognized by the Executive Committee through its approval of additional funding of US $85,374 under stage I of the HPMP, on an exceptional basis and without setting a precedent for any future projects, for security-related costs in addition to the funding to enable the implementation of the programme. This funding was utilized for travel and visa issuance costs for RAC technician trainers outside of Somalia. These trainers subsequently trained RAC technicians in Somalia.

15. UNIDO personnel and international consultants have been unable to visit Somalia since the project's inception in 2012. Thus, the project's progress has been monitored remotely through interaction with the NOU, which has undergone several personnel changes during the implementation period. The implementation modality used by UNIDO includes careful management of fund disbursement through direct payment by UNIDO to service providers based on invoices. For such activities, UNIDO broke down expenditures into relatively small contracts, and monitored progress closely.

Level of fund disbursement

16. As of September 2024, of the US $315,000 approved for stage I, US $295,819 (94 per cent) had been disbursed. Financial closure is ongoing, and the remaining funds will be returned at the 95th meeting of the Executive Committee.[6]

Stage II of the HCFC phase-out management plan

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

17. After deducting 5.75 ODP tonnes of HCFC-22 associated with stage I of the HPMP, and 1.68 ODP tonnes of HCFC-141b contained in imported pre-blended polyols, phased out due to closures in the foam

[5] Gender disaggregated data began to be collected in the third and final tranche, under which 39 customs and enforcement officers were trained including 7 women.
[6] The return of balances has been included in annex III of document UNEP/OzL.Pro/ExCom/95/4.

sector during stage I, the remaining consumption eligible for funding amounts to 10.67 ODP tonnes (194.00 mt) of HCFC-22.

Sector distribution of HCFCs

18. There are approximately 8,500 technicians, including roughly 2,000 who have been formally trained and 6,500 working informally in the sector, as well as 1,432 workshops operating in the servicing sector that consume HCFC-22 to service residential air-conditioning (AC), commercial AC, transport refrigeration, large commercial refrigeration and industrial refrigeration, as shown in table 2. In 2022, HCFC-22 represented 22 per cent of refrigerants used in the RAC servicing sector, preceded by R-410A at 42 per cent and R-404A at 24 per cent and followed by R-407C at 12 per cent.

Table 2. Estimate of demand for HCFC-22 in the RAC servicing sector in Somalia

Applications	**Number of pieces of equipment 2023**	**Average charge (kg)**	**Estimated initial installed charge (mt)**	**Annual Leakage rate (%)**	**Servicing Demand (mt) HCFC-22**
Residential AC	448,351	1.3	583.84	12.16	70.97
Commercial, industrial ACs and chillers	13,616	28.15	383.31	16.97	65.05
Transport refrigeration	1,477	6.77	9.99	20.00	2.00
Large commercial refrigeration	3,380	73.75	249.27	20.00	49.85
Industrial refrigeration	545	36.05	19.64	20.00	3.93
Total	**467,369**	**n/a**	**1,246.06**	**n/a**	**191.8**

Phase-out strategy

19. Stage II of the HPMP will focus on strengthening the HCFC licensing and quota system; establishing a ban on the import of HCFC-base equipment; building the capacity of customs and enforcement; strengthening the active participation of stakeholders through information campaigns and education; and improving the country's technical capacity to manage HCFCs and their alternatives by training RAC technicians and providing equipment.

Proposed activities

20. Stage II proposes the following activities and costs shown in table 3.

Table 3. Components and costs for proposed activities in stage II of the HPMP in Somalia

	Component/Activities	**Costs (US $)**
1	**Strengthening and enforcement of the legislation and regulations on HCFCs**	
1.1	*Review the existing HCFC policy and regulations:* Develop new policy/regulation and conduct the related public consultation to achieve and sustain the country's HCFC phase-out schedule, including a ban on the import of HCFC-141b in imported pre-blended polyols and on the import of HCFC-based equipment by 1 January 2025, the introduction of requirements for labelling of HCFC containers and equipment and a ban on the re-use of disposable containers by 1 January 2027, as well as the preparation of regulations to ban HCFCs by 2030 except for the servicing tail; and assess other regulations[7] to mitigate significant emissions associated with the servicing sector.	40,000

[7] For instance: recovery of HCFCs during the servicing of RAC equipment, leak checking for larger equipment, and prohibition of venting of HCFCs during installation, servicing and decommissioning of RAC equipment.

	Component/Activities	Costs (US $)
1.2	*Strengthening the licensing and quota system:* Conduct an assessment to determine the adjustments to the HCFC licensing system, including the information gaps in the current data-sharing mechanism; develop and implement a plan to establish an e-licencing system with linked access to customs systems; awareness-raising training of 20 government officials to enhance data exchange and requirements between the NOU and the Customs Department.	40,000
1.3	*Support the establishment of RAC associations*: Conduct a feasibility study on the viability of creating two RAC associations and organize two consultation rounds between the NOU, main country stakeholders and RAC technicians to enable the establishment of RAC associations in Somalia.	40,000
	Component 1 subtotal	*120,000*
2	**Strengthening technical capacity for import controls**	
2.1	*Provide ODS identifiers:* Acquire and deliver refrigerant identifier equipment to cover five customs entry points and provide related training on the use of the equipment to at least 20 front line/laboratory officers.	30,000
2.2	*Train customs officers*: Train 10 customs trainers; update training material for the training of new officers; and train 200 customs and enforcement officers on the Montreal Protocol, the procedures of the licensing system, new policies and regulations, enforcement mechanisms, and inspection techniques for HCFCs and HCFC-based equipment in addition to training on the safe handling of hazardous refrigerants.	65,000
2.3	*Information workshop for importers*: Organize two information and awareness-raising workshops on new regulatory measures for 25 importers of refrigerants and equipment.	10,000
	Component 2 subtotal	*105,000*
3	**Training RAC technicians in good servicing practices, and provision of equipment and tools**	
3.1	Train 10 trainers and 200 technicians in good servicing practices, recovery and recycling of refrigerants and the safe handling of flammable refrigerants; and prepare training material in local languages.	67,000
3.2	Acquire and distribute tools and equipment to 175 trained technicians (including: toolbox, screwdriver set, multimeter, personal safety gear, tubing tools, pliers, flaring and swaging tools, electronic leak detectors for HCFCs and HFCs, thermometer, wrenches, and tube cutter).	210,000
3.3	Acquire and distribute tools and equipment for 175 selected servicing workshops (including vacuum pump, refrigerant weight scale, vacuum gauge, leak detector for HC, refrigerant service cylinders).	210,000
3.4	Acquire and distribute five sets of tools/equipment for selected technical training institutes (including service manifolds, vacuum gauge, hoses, service port coupler set, core removal tool, charging hose, refrigerant recovery cylinders, heating belt with thermostat, recovery station for HCFC-22, vacuum pump, charging unit, leak detector HCFC-22, thermometer, multimeter, flaring tools, tube expander, brazing equipment, consumables, flaring and swaging tools, ammonia flushing equipment, HCFC and HFC leak detector, HC charging equipment, venting hoses and accessories, among other tools).	50,000
	Component 3 subtotal	*537,000*
4	**National recovery, recycling and reclamation (RRR) scheme**	
4.1	Develop a business model for assessing the establishment of reclamation facilities in the future and prepare guidelines for the recovery and re-use (RR), recycling and reclamation, transportation and storage of unwanted refrigerants.	14,640
4.2	Provision of equipment and tools to promote RR by distributing tools and equipment[8] to 30 main workshops and providing training on the use of those kits.	60,000
	Component 4 subtotal	*74,640*
Stage II activities		**836,640**

[8] Tools for tubing, measuring instruments refrigerant, vacuum pumps, charging units, recovery units and cylinders.

Project implementation and monitoring

21. The system established under stage I of the HPMP will continue into stage II, with the NOU monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities amounts to US $84,000, and includes staff and consultants (US $60,000), domestic travel (US $15,000), and the organization of monitoring and evaluation meetings (US $9,000).

Gender policy implementation

22. The Government of Somalia and UNIDO are committed to implementing the gender mainstreaming policies of the Multilateral fund in line with decisions 84/92(d), 90/48(c) and 92/40(b). The implementation plan for stage II of the HPMP includes activities that will address gender equality and women's empowerment systematically during implementation. The project will address gender issues by taking into consideration the prevailing cultural norms and values in the country. Planned activities include identifying national gender policies, involving a gender focal point from the Ministry of Environment and Climate Change in the stakeholder group consultations, collecting and monitoring gender-disaggregated data, promoting the participation of women in the activities of the HPMP and ensuring that training materials and other information materials are gender sensitive. Furthermore, tranche reports will include sex disaggregated data, gender-responsive activities undertaken, knowledge products on gender, good practices and lessons learned, and the allocation of financial resources for gender activities.

<u>Total cost of stage II of the HCFC phase-out management plan</u>

23. The total cost of stage II of the HPMP for Somalia has been estimated at US $920,640 plus agency support costs, as originally submitted, for achieving a 100 per cent reduction by 2030. The proposed activities and cost breakdown are summarized in table 3 above.

<u>Implementation plan for the first tranche of stage II of the HCFC phase-out management plan</u>

24. As initially requested, the first funding tranche of stage II of the HPMP in the total amount of US $429,640 will be implemented between December 2024 and December 2027 and will include the following activities:

(a) *Strengthening and enforcement of the legislation and regulations on HCFCs*:

(i) Develop a new policy/regulation and conduct the related public consultation to achieve and sustain the country's HCFC phase-out schedule, including a ban on the import of HCFC-141b in imported pre-blended polyols and on the import of HCFC-based equipment by 1 January 2025, the introduction of requirements for labelling of HCFC containers and equipment and a ban on the re-use of disposable containers by 1 January 2027 (US $20,000);

(ii) Conduct an assessment to determine the adjustments to the HCFC licensing system, including the information gaps in the current data-sharing mechanism; and develop a plan to establish an e-licencing system with linked access to customs systems (US $20,000);

(iii) Conduct a feasibility study on the viability of creating two RAC associations and organize two consultation rounds between the NOU, main country stakeholders and RAC technicians to enable the establishment of RAC associations in Somalia (US $30,000);

(b) *Strengthening technical capacity for import controls*:

(i) Train 10 customs trainers; update training material for the training of new officers; and train 40 customs and enforcement officers on the Montreal Protocol, the procedures of licensing system, new policies and regulations, enforcement mechanisms, inspection techniques for HCFCs and HCFC-based equipment, in addition to training on the safe handling of hazardous refrigerants (US $25,000);

(ii) Organize one information and awareness-raising workshop on new regulatory measures for 25 importers of refrigerants and equipment (US $5,000);

(c) *Training RAC technicians in good servicing practices, and provision of equipment and tools*:

(i) Train 10 trainers and 40 technicians in good servicing practices, recovery and recycling of refrigerants and the safe handling of flammable refrigerants, and prepare training material in local languages (US $27,000);

(ii) Acquire and distribute tools and equipment to 87 trained technicians (US $105,000);

(iii) Acquire and distribute tools and equipment for 87 selected servicing workshops (US $105,000);

(iv) Acquire and distribute five sets of tools/equipment for selected technical training institutes (US $50,000);

(d) *National RRR scheme*: Develop a business model for assessing the establishment of a reclamation facility in the future, and prepare guidelines for the RR, recycling and reclamation of refrigerants, transportation and storage of unwanted refrigerants. (US $14,640); and

(e) *Project monitorin*g: The cost of these activities amounts US $28,000, including staff and consultants (US $20,000); domestic travel for monitoring (US $5,000); and the organization of monitoring and evaluation meetings (US $3,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

25. 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 (decisions 74/50 and 90/31), and the 2024–2026 business plan of the Multilateral Fund.

<u>HCFC consumption and data reporting</u>

26. As per the verification report, the 2021 total consumption of Somalia is 190.00 mt of HCFC-22 and 0.77 mt of HCFC-141b in imported pre-blended polyols. Consequently, total HCFC consumption is 10.53 ODP, which is lower than the maximum allowed consumption of 14.78 ODP tonnes.

Overarching strategy

27. The Government of Somalia confirmed its commitment to achieve 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFCs in the period of 2030 to 2040 at a level consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.[9]

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

Legal framework

29. The total import quota for HCFC in 2024 is 7.85 ODP tonnes, which is lower than the maximum allowed consumption for the current year, and 5.34 ODP tonnes for 2025 in correspondence with the proposed maximum allowed consumption for that year.

Political instability and security issues

30. There have been noticeable improvements in the country's situation over the last few years, brought about in part through peacekeeping efforts of the African Union Mission in Somalia. However, the concerns related to political instability and the security situation remain and may affect the implementation of stage II of the HPMP, including the ability to travel, organize training, and enforce the legal and regulatory framework. To manage all these issues, UNIDO will work closely with the NOU to implement the project through modalities that suit the situation. Activities planned to be conducted within Somalia will continue to be carefully assessed immediately before they commence. Additional time might need to be given to the main stakeholders to take into account particular problems they may encounter, and plans may need to be adjusted accordingly.

31. In response to the Secretariat's question about travel by international consultants or UN staff to Somalia, UNIDO indicated that such travel is authorized. However, those missions are complex for international experts who can travel and lodge only within the Mogadishu airport protected area. Missions outside that area can be arranged only with UNDSS review and approval. Experts on mission can opt to travel only to Mogadishu and carry out their meetings within the protected area, where Somali Government officials have access without facilitation, but Somali private citizens might require some ad-hoc authorization to access the area.

32. Besides the international travel organization procedure, UNIDO reported that travel over Somalia provinces is safe for organizing training courses and workshops with national experts. Therefore, most of the training sessions will be delivered by the NOU and national experts. However, the train-the-trainer workshop for RAC trainers, master trainers at the Customs Department and the capacity-building workshops on RR would count on both international and national experts and would be organized in the Mogadishu protected area, if necessary.

Technical and cost-related issues

33. At the 67th meeting, stage I of the HPMP for Somalia was approved and the starting point for aggregate reduction of HCFC-22 consumption was estimated at 5.29 ODP tonnes lower that the baseline of 21.90 ODP tonnes of HCFC-22 reported under Article 7 of the Montreal Protocol. That was the best

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

estimate at that time due to the limited information available. However, according to the consumption reported from 2012 to 2015, and the field experience gained during implementation of the first tranche of the HPMP, the country requested a revision of the HCFC starting point upon submitting the second tranche. By decision 77/56, the revised starting point for sustained aggregate reduction in HCFC consumption was set at 18.10 ODP tonnes, consisting of 16.42 ODP tonnes of HCFC-22 and 1.68 ODP tonnes of HCFC-141b contained in imported pre-blended polyols.

34. As initially submitted UNIDO requested US $920,640 for stage II of the HPMP for Somalia due to an inadvertent mistake in the application of decision 77/56, that was clarified during discussions with the Secretariat. As per decision 74/50, for 16.42 ODP tonnes of HCFC-22 (298.55 mt) as the starting point for the servicing sector, the total amount of eligible funding for Somalia would be US $1,600,000. Since the amount of US $315,000 was approved at the 67th meeting for the implementation of stage I, and that amount was not modified at the 77th meeting, the maximum eligible funding for stage II would be US $1,285,000. Subsequently, UNIDO reported that the country upon revision of the initial activities would request US $1,285,000 instead of US $920,640 in order to develop a more robust infrastructure in the servicing sector to enable compliance with the HCFC phase-out schedule by 2025 and 2030. Furthermore, UNIDO confirmed that such funding would be fully disbursed in the coming five-year period of stage II since it would be mainly used for additional procurement of equipment and to expand the training of the servicing sector.

Total project cost and revised tranche distribution

35. The total cost of the project was agreed at US $1,285,000 instead of US $920,540. The revised stage II proposed to train 22 RAC trainers instead of 10, train 440 RAC technicians instead of 200, provide 400 sets of tools and equipment to trained technicians instead of 200, and provide 200 sets of tools and equipment to servicing workshops instead of 175.

Table 4: Requested and agreed cost of stage II

	Component/Activities	**Cost (US $)**	
		Requested	**Agreed**
1	**Strengthening and enforcement of the legislation and regulations on HCFCs**		
1.1	Review the existing HCFC policy and regulations	40,000	40,000
1.2	Strengthen the licensing and quota system	40,000	40,000
1.3	Support the establishment of RAC associations, including two awareness-workshops	40,000	40,000
	Component 1 Subtotal	*120,000*	*120,000*
2	**Strengthening technical capacity for import controls**		
2.1	Provide ODS identifiers to Customs and train in the use of equipment	30,000	30,000
2.2	Train Customs Officers	65,000	65,000
2.3	Information workshop for importers	10,000	10,000
	Component 2 Subtotal	*105,000*	*105,000*
3	**Training RAC technicians in good servicing practices, and provision of equipment and tools**		
3.1	Train of trainers and technicians	67,000	**140,960**
3.2	Provision of tools and equipment to trained technicians	210,000	**468,400**
3.3	Provision of tools and equipment to servicing workshops	210,000	**242,000**
3.4	Provision of tools and equipment to training institutes	50,000	50,000
	Component 3 Subtotal	*537,000*	***901,360***
4	**National RRR scheme**		
4.1	Develop a business model for assessing the establishment of a reclamation facility and prepare guidelines	14,640	14,640
4.2	Provision of equipment and tools to promote RR	60,000	60,000
	Component 4 Subtotal	*74,640*	*74,640*

	Component/Activities	Cost (US $)	
		Requested	Agreed
5	**Monitoring, evaluation and reporting**		
5.1	Costs of staff and consultants, domestic travel, and organization of monitoring and evaluation meetings	84,000	84,000
	Component 5 Subtotal	*84,000*	84,000
TOTAL		**920,640**	**1,285,000**

Revised first-tranche implementation plan

36. The tranche request for the implementation of the first tranche changed from US $429,640 to US $608,800. Adjustments for activities, outputs and costs are only in the project component for training of RAC technicians in good servicing practices, and provision of equipment and tools, as follows: train 22 trainers and 200 technicians instead of 10 trainers and 40 technicians as initially requested; acquire and distribute tools and equipment to 200 trained technicians instead of 87 technicians as initially requested; acquire and distribute tools and equipment to 100 selected servicing workshops instead of 87 workshops as initially requested.

Table 5: Requested and agreed cost of the first tranche

	Component/Activities	Cost (US $)	
		Requested	Agreed
1	**Strengthening and enforcement of the legislation and regulations on HCFCs**		
1.1	Review the existing HCFC policy and regulations	20,000	20,000
1.2	Strengthen the licensing and quota system	20,000	20,000
1.3	Support the establishment of RAC associations, including one awareness workshop	30,000	30,000
	Component 1 Subtotal	*70,000*	*70,000*
2	**Strengthening technical capacity for import controls**		
2.1	Provide ODS identifiers to Customs and train in the use of equipment	0	0
2.2	Train Customs Officers	25,000	25,000
2.3	Information workshop for importers	5,000	5,000
	Component 2 Subtotal	*30,000*	*30,000*
3	**Training RAC technicians in good servicing practices, and provision of equipment and tools**		
3.1	Train of trainers and technicians	27,000	**60,960**
3.2	Provision of tools and equipment to trained technicians	105,000	**234,200**
3.3	Provision of tools and equipment to servicing workshops	105,000	**121,000**
3.4	Provision of tools and equipment to training institutes	50,000	50,000
	Component 3 Subtotal	*287,000*	***466,160***
4	**National RRR scheme**		
4.1	Develop a business model for assessing the establishment of a reclamation facility and prepare guidelines	14,640	14,640
4.2	Provision of equipment and tools to promote RR	0	0
	Component 4 Subtotal	*14,640*	*14,640*
5	**Monitoring, evaluation and reporting**		
5.1	Costs of staff and consultants, domestic travel, and organization of monitoring and evaluation meetings	28,000	28,000
	Component 5 Subtotal	*28,000*	*28,000*
TOTAL		**429,640**	**608,800**

Impact on the climate

37. The activities proposed in the servicing sector, which include better containment of refrigerants through training and the provision of equipment, will reduce the amount of HCFC-22 used for RAC

servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO_2-eq tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Somalia, including its regulatory efforts and capacity building for refrigerant import controls indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Sustainability of the HCFC phase-out and assessment of risks

38. For the implementation of stage I, UNIDO has sorted out challenges faced, such as political instability and security issues, irregular practices of the informal RAC servicing workshops, administrative difficulties, and limited internet and telecommunications technology. In addition to continuing with the procedures put in place to reduce fund mismanagement risks, during the implementation of stage II a mitigation plan for addressing potential implementation delays will be developed and agreed upon with the local partners during the early stages, along with proper monitoring of project deliverables to be carried out by the NOU and UNIDO.

39. The Government will manage the risk of non-compliance with the 2025 HCFC phase-out targets by issuing the HCFC quota to the authorized importers in the country, and other activities proposed to support the servicing sector. Strengthening the vocational training institutes and providing support to the technicians through training and essential equipment will contribute to enhancing the infrastructure in the RAC servicing sector of Somalia, and refrigerant RR practices will help gain refrigerant savings. With the aim of ensuring the sustainability of the RR practices, the beneficiaries of RR equipment will be requested to sign agreements to establish their responsibilities, such as the proper use of the equipment and collecting and reporting data on saved refrigerants to the NOU, which will oversee the results of the RR activities as part of the monitoring of stage II.

40. Among the external risks of the past few years, weak regulatory oversight, including Somalia's political instability and difficulties in keeping a functioning Government, led to a significant breakdown in regulatory enforcement, creating a vacuum where illegal refrigerant trade could flourish, which might have introduced more HCFCs into the market. The main factors for potential illegal trade are porous borders and insufficient customs capacity, along with attempts to avoid high import taxes and obtain potential gains due to differences in prices with border countries. Somalia plans to reduce the risk of potential illegal trade of refrigerants and equipment through harsh penalties, strict enforcement and control of refrigerants and RAC equipment imports, as well as continued capacity building for customs officers, officials, and importers through the implementation of stage II.

Co-financing

41. The Government of Somalia will support the coordination and management of the HPMP. The anchoring of the NOU within the Ministry of Environment and Climate Change, with its access to the highest decision-making levels, and its collaboration with other Government ministries and bodies, will ensure support during the implementation of the HPMP, including in those aspects that are not covered by the funds attributed to the implementing agency. This support will be mainly in-kind, in the form of rent for offices, the assignment of local temporary staff to assist in the meetings and workshops.

2024–2026 draft business plan of the Multilateral Fund

42. UNIDO is requesting US $1,285,000, plus agency support costs, for the implementation of stage II of the HPMP for Somalia. The total requested value of US $651,416, including agency support costs for the period of 2024–2026, is US $134,463 above the amount in the business plan.

Draft Agreement

43. A draft Agreement between the Government of Somalia and the Executive Committee for stage II of the HPMP is contained in annex I to the present document.

RECOMMENDATION

44. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Somalia for the period from 2024 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $1,285,000, plus agency support costs of US $89,950 for UNIDO on the understanding that no more funding from the Multilateral Fund will be provided for the phase-out of HCFCs;

(b) Noting the commitment of the Government of Somalia to completely phase out HCFCs by 1 January 2030 and to ban the import of HCFCs by 1 January 2030, except for those allowed for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;

(c) Deducting 10.67 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(d) Approving the draft Agreement between the Government of Somalia 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 final tranche of its HPMP, the Government of Somalia should submit:

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

(ii) The expected annual HCFC consumption in Somalia for the period 2030-2040; and

(f) Approving the first tranche of stage II of the HPMP for Somalia, and the corresponding tranche implementation plan, in the amount of US $608,800, plus agency support costs of US $42,616 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF SOMALIA 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 Somalia (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 0 ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A ("The Targets, and Funding") in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in rows 4.1.3 and 4.2.3 (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 stage II of the HCFC phase-out management plan approved ("the Plan"). In accordance with subparagraph 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 subparagraph 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;

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

(b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report; and

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

Considerations for the refrigeration servicing sector

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, in particular:

(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and

(b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

Bilateral and implementing agencies

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (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 taking part in this Agreement.

10. The Lead IA will be responsible for ensuring coordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per subparagraph 5(b). The role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 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, and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead 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 subparagraph 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 subparagraphs 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 between the Government 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	16.42
HCFC-141b in imported pre-blended polyols			1.68
Total			18.10

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2024	2025	2026	2027	2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	29.30	14.66	14.66	14.66	14.66	14.66	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	10.67	5.34	5.34	5.34	5.34	5.34	0	n/a
2.1	Lead IA UNIDO agreed funding (US $)	608,800	0	0	538,200	0	0	138,000	1,285,000
2.2	Support costs for Lead IA (US $)	42,616	0	0	37,674	0	0	9,660	89,950
3.1	Total agreed funding (US $)	608,800	0	0	538,200	0	0	138,000	1,285,000
3.2	Total support costs (US $)	42,616	0	0	37,674	0	0	9,660	89,950
3.3	Total agreed costs (US $)	651,416	0	0	575,874	0	0	147,660	1,374,950
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								10.67
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								5.75
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0
4.2.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)								0
4.2.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)								1.68
4.2.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)								0

* Date of completion of stage I as per extension of stage I approved at 91st meeting: 30/6/2023.

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five parts:

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

(b) An independent verification report of the Plan results and the consumption of the Substances, as per subparagraph 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 subparagraph 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 subparagraph (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 subparagraphs 1(a) to 1(d).

2. In the event that in a particular year two stages of the Plan 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), under the Ministry of Environment and Climate Change, Government of Somalia, is responsible for the overall project controlling, coordination, assessment, monitoring and reporting with the assistance of the Lead IA.

2. The Project Management Unit (PMU)/NOU will coordinate daily work of the project implementation and to assist the enterprises, as well as the Federal Member State and non-Government offices and organizations, to streamline their activities for smooth implementation of the projects. The PMU/NOU will also monitor progress on implementation, and report to the Executive Committee.

3. An independent and certified auditor will audit and verify the consumption of ODS reported by the Government through Article 7 data and country programme progress reports.

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 Plan;

(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 subparagraphs 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;

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

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

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

(m) 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 Plan's results and the consumption of the Substances mentioned in Appendix 1-A, as per subparagraph 5(b) of the Agreement and subparagraph 1(b) of Appendix 4-A.

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

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

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the Plan 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.