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

PROJECT PROPOSAL: GUINEA-BISSAU

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)	UNEP and UNIDO	Individual consideration

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Guinea-Bissau

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

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2023	0.66 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					0.66				0.66

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	2.83	Starting point for sustained aggregate reductions:	2.83
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	0.99	Remaining:	1.84

(V) ENDORSED BUSINESS PLAN		**2024**	**2025**	**2026**	**Total**
UNEP	ODS phase-out (ODP tonnes)	0.03	0.0	0.0	0.03
	Funding (US $)	52,000	0	0	52,000
UNIDO	ODS phase-out (ODP tonnes)	0.4	0.0	0.0	0.4
	Funding (US $)	42,600	0	0	42,600

(VI) PROJECT DATA			**2024**	**2025**	**2026**	**2027**	**2028-2029**	**2030**	**Total**
Consumption (ODP tonnes)	Montreal Protocol limits		1.84	0.92	0.92	0.92	0.92	0	n/a
	Maximum allowable		1.84	0.92	0.92	0.92	0.92	0	n/a
Amounts requested in principle (US $)	UNEP	Project costs	126,500	0	0	121,500	0	52,000	300,000
		Support costs	16,445	0	0	15,795	0	6,760	39,000
	UNIDO	Project costs	150,000	0	0	70,000	0	0	220,000
		Support costs	13,500	0	0	6,300	0	0	19,800
Amounts recommended in principle (US $)	Total project costs		276,500	0	0	191,500	0	52,000	520,000
	Total support costs		29,945	0	0	22,095		6,760	58,800
	Total funds		306,445	0	0	213,595	0	58,760	578,800

(VII) Request for approval of funding for the first tranche (2024)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNEP	126,500	16,445
UNIDO	150,000	13,500
Total	**276,500**	**29,945**

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Guinea-Bissau, UNEP as the lead implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at a total cost of US $578,800, consisting of US $300,000, plus agency support costs of US $39,000, for UNEP and US $220,000, plus agency support costs of US $19,800, for UNIDO, as originally submitted.[2] The implementation of stage II will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage II of the HPMP requested at this meeting, as originally submitted, amounts to US $306,445, consisting of US $126,500, plus agency support costs of US $16,445, for UNEP and US $150,000, plus agency support costs of US $13,500, for UNIDO.

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

3. Stage I of the HPMP for Guinea-Bissau was originally approved at the 65th meeting[3] and revised at the 71st meeting[4] to phase out 0.99 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector and to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $280,000 plus agency support costs. Stage I of the HPMP was completed in December 2021, as stipulated in the updated Agreement between the Government of Guinea-Bissau and the Executive Committee. The project completion report was submitted to the Secretariat on 13 April 2023.

<u>Report on HCFC consumption</u>

4. The Government of Guinea-Bissau reported a consumption of 0.66 ODP tonnes of HCFC-22 in 2023, which is almost 77 per cent below the HCFC baseline for compliance. The 2019-2023 consumption is shown in table 1.

Table 1. HCFC consumption in Guinea-Bissau (2019-2023 Article 7 data)

HCFC-22	2019	2020	2021	2022	2023	Baseline
Metric tonnes (mt)	23	20	15	14	12	51
ODP tonnes	1.27	1.10	0.83	0.77	0.66	2.83

5. The only HCFC consumed in the country is HCFC-22 used in the RAC servicing sector. Consumption over the past five years has been decreasing due to the implementation of activities under the HPMP including the import/export licensing and quota system, the training of customs officers, training of RAC technicians in good servicing practices, and the introduction of alternative to HCFCs in RAC applications, such as those based on HFCs and low-GWP refrigerants.

Country programme implementation report

6. The Government of Guinea-Bissau reported HCFC sector consumption data under the 2023 country programme (CP) implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

[2] As per the letter of 15 July 2024 from the Ministry of the Environment, Biodiversity and Climate Change of Guinea-Bissau to the Secretariat.
[3] Decision 65/30, document UNEP/OzL.Pro/ExCom/65/37
[4] Decision 71/30, annex XIII of UNEP/OzL.Pro/ExCom/71/64

Verification report

7. In accordance with decision 85/22(a),[5] UNEP provided an update on the plan of action towards implementing the recommendations in the verification report submitted to the 85th meeting. Training to strengthen customs officers and RAC technicians, and partnership between the national ozone unit (NOU) and importers continued under the fourth tranche of stage I of the HPMP; however, the majority of the recommendations and issues raised in the verification report will be addressed under stage II of the HPMP or stage I of the Kigali HFC Implementation Plan (KIP).

8. Under stage II of the HPMP, the country will address: strengthening the capacity of customs officers including the provision of refrigerant identifiers; missions to enhance regional coordination; information and awareness for importers and distributors on relevant national and sub-regional regulations; consideration of lower levels of customs tariffs on alternative HCFC refrigerants at the level of the West African Economic and Monetary Union (UEMOA by its acronym in French); establishing and equipping new RAC technician training centres; RAC training modules adapted to the national context; training on safe handling of refrigerants; training of informal sector RAC technicians; and procurement of equipment for RAC workshops. The introduction and application of regulations, codes of practices and standards to ensure safe introduction of flammable and/or toxic refrigerants, and awareness-raising campaigns related to the safe use of hydrocarbons and ammonia will be addressed under stage I of the KIP.

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

Legal framework

9. The Government of Guinea-Bissau has operated a licensing and quota system for the import of HCFCs since 2013 and enforces the sub-regional regulation of the UEMOA, which harmonizes the management of controlled substances, including HCFCs in the sub-region. Importers must apply to the NOU for an annual licence to import HCFCs. Each application is reviewed by the National Ozone Committee which forwards the licence, including the permitted quantity of HCFCs, for approval by the Ministry of Environment. The quotas are determined annually by the National Ozone Committee, while the NOU assigns quotas to individual importers requesting them; currently there are nine registered importers. There are no quotas for banned ODS.

10. In 2023, the seventh amendment to the international harmonized system (HS) codes was adopted for customs declarations in Guinea-Bissau. Training on the identification and control of HCFCs and HCFC-based equipment, monitoring of the licensing and quota system and the prevention of illegal trade in controlled substances was provided to 25 customs trainers and more than 490 customs and enforcement officers and clearing agents, and two refrigerant identifiers were provided to the Customs Department. Training of importers on the HCFC import regulations and the licensing and quota system were undertaken to ensure a good understanding of the system.

Refrigeration servicing sector

11. Stage I had focused on training technicians and the strengthening of training facilities. Two training centres and four refrigeration servicing workshops were strengthened through the provision of tools and equipment[6] together with relevant training for 25 technicians on use of the equipment. A module on good refrigeration practices and safe use of flammable refrigerants was included in the training curriculum. Fifty-one trainers and more than 500 RAC technicians were trained on good practices in RAC servicing

[5] Blanket approval decision, proviso contained in annex IV of document UNEP/OzL.Pro/ExCom/85/67

[6] Including a refrigerant identifier, recovery units, recycling kits, vacuum pumps, cylinders and toolkits.

and safe handling of hydrocarbons. The NOU uses translated booklets on refrigerants servicing and best practices developed by OzonAction and the International Institute of Refrigeration.

Project coordination and monitoring

12. Project coordination was undertaken by the NOU with support from two consultants. A total of US $30,000 was disbursed between 2011 and 2021 for project implementation and monitoring of stage I, including staff and consultants (US $24,000) and travel (US $6,000).

Status of fund disbursement

13. As of August 2024, of the US $280,000 approved for the implementation of stage I, US $255,849 had been disbursed and the balance of US $24,151 was returned to the Multilateral Fund.

Stage II of the HCFC phase-out management plan

Remaining consumption eligible for funding

14. After deducting 0.99 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding in stage II amounts to 1.84 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

15. There are approximately 510 technicians, including about 400 in the informal sector, and 67 workshops operating in the servicing sector in Guinea-Bissau. Informal technicians operate either as part of non-registered workshops or as self-employed freelancers. There are no female technicians. The RAC Association is well organized with 107 RAC technicians registered, although only 70 are active members. Workshops in the informal sector are poorly equipped and RAC technicians in the informal sector work in conditions that pose health risks and negative environmental impacts. The average age of HCFC-22-based equipment being serviced in RAC workshops is between 7 and 10 years old. Only about 2 per cent of the equipment inventory is new.

16. About 59 per cent of HCFC-22 is used in domestic air-conditioning (AC), followed by 30 per cent for chillers, 4.7 per cent in commercial refrigeration, 4.4 per cent for central AC, and 2 per cent in industrial refrigeration. The estimated HCFC-22 consumption by the RAC subsectors for 2022 is presented in table 2 below.

Table 2. Estimation of demand for HCFC-22 in the RAC servicing sector in Guinea-Bissau in 2022

Sub-sector	Equipment inventory	Average charge (kg)	Bank refilled during servicing (%)	Annual needs for servicing (mt)	Total HCFC consumption (%)
Commercial refrigeration	330	5	40	0.660	4.7
Industrial refrigeration	73	13	30	0.284	2.0
Domestic AC	18,300	1.5	30	8.235	58.9
Centralized AC	118	15	35	0.619	4.4
Chillers	700	20	30	4.200	30.0
Total	19,521	n/a	n/a	13.998	100

17. Based on Article 7 data reported in 2022, HCFC-22 represents less than 5 per cent of all HCFC and HFC refrigerants used in the servicing sector while R-404A represents 37 per cent, followed by HFC-134a (36 per cent), R-407C (18.7 per cent), and R-407A (1.6 per cent). Data on the scale of use of low-GWP refrigerants and equipment containing them will be ascertained as part of the survey under the preparation for stage I of the KIP.

Phase-out strategy

18. Stage II of the HPMP will build on the infrastructure established and lessons learned under stage I to strengthen the country's capacity for the safe use and sound management of alternative refrigerants and refrigerant-based equipment, and has been developed taking into consideration the recommendations from the verification report referred to in paragraphs 7 and 8. The focus will be on strengthening the capacity of the RAC servicing sector, including RAC technician training, the establishment of a certification scheme for RAC technicians, awareness campaigns to encourage women to enter the RAC sector, the development of a standard training programme on safe handling of hydrocarbons, strengthening the technical capacity for refrigeration management through the creation of two specialized training centres for the safe handling of hydrocarbons, and technical assistance to end users on controlling refrigerant leaks and low-GWP refrigerants. Training for customs and enforcement officers will continue, as well as raising the awareness of importers on the licencing and quota system and safety aspects of refrigerants, in order to strengthen import controls.

19. Noting the lessons learned from stage I of the HPMP, the NOU will ensure a close institutional relationship with the national entity in charge of climate change initiatives to facilitate the successful adoption of zero or low-GWP energy-efficient alternative technologies.

Proposed activities

20. Stage II proposes the following activities:

(a) *Capacity building of customs and enforcement officers, and economic operators:* Conducting 20 training workshops for 500 customs and enforcement officers on the control and identification of HCFCs and HCFC-based equipment, related laws and regulations, and use of refrigerant identifiers; provision of two refrigerant identifiers;[7] updating of the Customs training manual; organization of two workshops for importers on the procedures for issuing import licenses and granting annual quotas and refrigerant safety to strengthen information exchange with the NOU; a meeting to strengthen transborder collaboration with customs officers in the UEMOA sub-region (UNEP) (US $90,000) and (UNIDO) (US $10,000);

(b) *Strengthening the capacity of RAC technicians on good servicing practices*: updating the training manual and training of 500 service technicians in 20 workshops on good servicing practices; development of a certification scheme for RAC technicians including consultation with stakeholders and certification of 350 technicians by completion of stage II; awareness campaign targeting young women leaving school to encourage them to enter the RAC sector (UNEP) (US $185,000); and

(c) *Strengthening the technical capacity for refrigeration management*: provision of training tools and equipment[8] to create two specialized centres for training on safe handling of hydrocarbons; development of a standard training programme on safe handling of hydrocarbons; 10 training courses for 200 RAC technicians on basic principles of hydrocarbons, good servicing practices, safe handling, and safety standards; provision of

[7] Due to uncertain availability, any funds not utilized for refrigerant identifiers (one planned for a training centre and the other for the NOU) will be used for strengthening the technical capacity for refrigeration management.

[8] Equipment and tools for each centre include three charging stations for hydrocarbons; three electronic gauge manifolds; three electronic leak detectors for hydrocarbons; three sets of safety-related tools; three brazing units; one compression fitting tool; six sets of personal protection; three sets of miscellaneous tubing tools; two refrigeration simulators with hydrocarbons and HCFCs; two AC simulators with hydrocarbons; one set of various tools and spare parts.

equipment[9] to establish a reclamation facility including installation and training; training 100 technicians on refrigerant recovery and reclamation; development of a leakage control guide, and implementation of a zero leaks programme for large end users; one demonstration project on the replacement of HCFCs in an end-user subsector having the highest installed bank including at least two meetings to disseminate the results of the pilot demonstration project (UNIDO) (US $210,000).

Project implementation and monitoring

21. The system established under stage I of the HPMP will continue into stage II, with the NOU and UNEP monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities for UNEP amounts to US $25,000 and includes project staff and consultants (US $12,000), domestic travel (US $5,000), and meetings and workshops (US $8,000).

Gender policy implementation

22. In line with decisions 84/92(d), 90/48(c) and 92/40(b), the Government of Guinea-Bissau and UNEP remain committed to the Multilateral Fund's gender mainstreaming policy and will incorporate gender perspective in the implementation and management of activities under stage II of the HPMP. Despite the challenges faced by the country including the low literacy rate of women, under stage I of the HPMP, the NOU carried out some consultation with stakeholders on gender matters and involved women in HPMP activities such as the preparatory survey for stage II. There are currently no female RAC technicians in the country.

23. The NOU will continue to raise awareness of stakeholders on gender policy of the Multilateral Fund and will collect and monitor gender-disaggregated data. Gender equality and women's empowerment will be considered in the RAC technicians and customs training including relevant gender-disaggregated data collection, gender sensitive training materials, and gender related discussions. Furthermore, the first tranche of stage II includes a targeted information campaign to encourage young women leaving school to enter the RAC sector with the aim of encouraging about 50 female students to start RAC studies. The NOU will discuss the matter of how to improve the registration of female students in RAC courses with the Ministry of Education. UNEP and the Government of Guinea-Bissau will report on all of the Multilateral Fund's mandatory gender mainstreaming indicators in the stage II progress reports and tranche requests.

Total cost of stage II of the HCFC phase-out management plan

24. The total cost of stage II of the HPMP for Guinea-Bissau has been estimated at US $520,000 (plus agency support costs), as originally submitted, for achieving a 67.5 per cent reduction from its HCFC baseline consumption by 2025 and a 100 per cent reduction by 2030. The proposed activities and their cost breakdown are summarized in paragraph 20 above.

Implementation plan for the first tranche of stage II of the HCFC phase-out management plan

25. The first funding tranche of stage II of the HPMP in the total amount of US $276,500 will be implemented between January 2025 and June 2027 will include the following activities:

(a) *Capacity building of customs and enforcement officers, and economic operators*: Conducting eight training workshops for 200 customs and enforcement officers; updating of the Customs training manual; conducting one training/awareness workshop for all registered importers, main end users, and other stakeholders; one meeting to strengthen transborder collaboration with customs officers in the UEMOA sub-region to address

[9] One reclamation unit, two refrigerant recovery machine filter modules, three storage tanks (100 lbs), 10 recovery tanks, one scale to check filling level of storage tanks, one refrigerant identifier, spare parts.

matters including potential revision of customs tariffs for low-GWP refrigerants, illegal trade, mislabelling and misdeclaration, and harmonization of regulations including ban on new and used HCFC-based equipment (UNEP) (US $46,500);

(b) *Strengthening the capacity of RAC technicians on good servicing practices:* updating the RAC training manual; conducing eight training courses for 200 service technicians on good servicing practices; carrying out a study on the establishment of the RAC certification scheme and stakeholder consultations to review the proposed scheme; awareness campaign targeting young women leaving school to encourage them to enter the RAC sector (UNEP) (US $70,000);

(c) *Strengthening the technical capacity for refrigeration management*: provision of training tools and equipment to establish one specialized hydrocarbon refrigerant training centre; five training courses for 100 RAC technicians on good servicing practices including hydrocarbons; provision of equipment to establish a reclamation facility; training 100 technicians on refrigerant recovery and reclamation practices; development of a leakage control guide, and implementation of a zero leaks programme for large end-users; (UNIDO) (US $150,000); and

(d) *Project monitoring* (UNEP) US $10,000: project staff and consultants (US $5,000), domestic travel (US $2,000), and meetings and workshops (US $3,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

26. 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.

Overarching strategy

27. The Government of Guinea-Bissau proposes to meet the 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.[10]

28. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Guinea-Bissau 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 the expected annual HCFC consumption in Guinea-Bissau for the period 2030–2040.

Legal framework

29. The Government of Guinea-Bissau issued HCFC import quotas for 2024 at 12 mt (0.66 ODP tonnes) which is lower than the Montreal Protocol control target.

30. The Government of Guinea-Bissau is planning to issue a ban on the import of HCFC-based equipment, both new and used, by 1 January 2029 together with other member states of UEMOA through

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

a so-called Community Regulation. The Secretariat observed that Guinea-Bissau might become subject to imports of obsolete equipment that will increase the service tail demands and the risk of technicians adopting non-protocolized procedures for retrofitting HCFC-based equipment with hydrocarbons if the country does not ban HCFC-based equipment imports before 2029. Following a discussion with UNEP, the Government of Guinea-Bissau agreed to work at the regional level to introduce the ban on the import of HCFC-22-based equipment imports sooner than 2029. UNEP informed that an electronic platform that is intended to resolve the deficiency of the import quota system, i.e., signal whether an importer had exceeded its individual quota, be finalized in 2025.

Technical and cost-related issues

Main barriers to the broader adoption of zero- or low-GWP alternatives in the RAC sector

31. The Secretariat discussed with UNEP the barriers to adopting zero- or low-GWP alternatives faced by the country noting that the price of R-600a is the same as HCFC-22 and lower than HFC-based refrigerants. UNEP advised that, the reason for the slow adoption of zero- or low-GWP alternatives might be that the new regulations on HFCs have only recently been approved, and equipment import bans have not yet started, meaning that the market is not well informed and ready. UNEP informed that various measures to encourage the shift to low-GWP alternatives will be introduced in the country. However, because there is some equipment that rely on HFCs and HFC blends with lifetimes of 10 to 20 years, full adoption of alternatives with zero- or low-GWP would take some time. With regard to the development of the regulatory standards and protocols on the use of flammable and toxic substances in RAC equipment as part of stage I of the KIP, UNEP informed that the country aims to finalize the standard by 2027.

RAC technicians and retrofitting HCFC-22-based systems

32. The submission for stage II noted there is a tendency in the sub-region to retrofit HCFC-22-based systems to operate with hydrocarbons which occurs mainly in the informal sector due to the high price of HFC alternatives. The prices of HFCs and HFCs blends are 25 to 63 per cent higher than the price of HCFC-22. UNEP confirmed that retrofitting HCFC-based equipment with hydrocarbons via drop-in was not promoted under the HPMP, nor by the Government.[11] The introduction of hydrocarbons as an alternative was promoted, with an emphasis on safety and good practices, but not as drop-in for equipment that is not designed for flammable refrigerants. Both training programmes as well as in public awareness activities emphasized the issue of safety matters in terms of hydrocarbons.

Establishment of a certification scheme for RAC technicians and implementation of national certification in the RAC sector

33. Regarding the technician certification scheme, UNEP explained that an international consultant would conduct a study under the first tranche of stage II, which will be followed by a pilot certification programme for 50 RAC technicians with a further 100 technicians certified every year until 2030 to achieve a target of 350 certified technicians by the end of stage II. Following discussions, it was agreed that consultant would prepare guidelines and a reading list of relevant documents to update RAC senior technicians; develop practical exams for the certification examination and multiple versions of tests for written examinations; and train national stakeholders on the certification process. With regard to the institutional setup to ensure that the scheme is sustainable beyond the end of stage II, UNEP informed that the Association of Refrigeration Technicians and Engineers of Guinea-Bissau (AITR) would be closely involved as a partner and will assist finding candidate technicians for the certification which will be conducted in the RAC training centres. The NOU in collaboration with AITR will organise a nationwide

[11] The Government of Guinea-Bissau is aware of decisions 72/17 and 73/34 on retrofits.

campaign to encourage informal technicians to join AITR in order to benefit from training and certification with the aim of increasing the number of contributing members of AITR.

34. Once the certification study has been completed, the Government would decide on whether the certification would be mandatory for servicing equipment and buying refrigerants. It has been agreed that initially the certification scheme will have no cost to RAC technicians. The Government has yet to decide on initiatives to ensure that technicians are motivated to undergo the certification process. The authority to issue the certification of RAC technicians is likely to be the National Agency for Standardization and Quality Control of Guinea-Bissau as its involvement will sustain the operation of the certification scheme as it receives Government support and subsidies.

Technical assistance to end users

35. The Secretariat requested further information on the specific activities that will be undertaken for the proposed demonstration pilot projects under the technical assistance component of stage II of the HPMP. The first tranche of technical assistance includes developing a leakage control guide and implementing at least one zero-leak pilot demonstration project which will focus on large end users to diagnose and repair highly emissive systems to reduce leaks to zero and establish a preventive maintenance protocol. UNIDO explained the project would take a holistic approach including all aspects of servicing including refrigerant logbooks, energy efficiency and consumption, service programmes, and the importance of certified technicians, to demonstrate the advantage of a proper service programme. The zero leaks approach together with the leak-control guide will be promoted to other end users with the aim of reducing energy costs and refrigerant consumption.

36. The second tranche of technical assistance includes a demonstration project to replace an HCFC-based RAC system with a system operating with a low-GWP alternative in one of the identified end-user sub-sectors having the highest installed banks of HCFC-22 (for example, dairy industry, hypermarkets or hotels). UNIDO expects the project to promote a new technology such as hydrocarbons which would reduce costs and increase the energy efficiency of the RAC system and thus avoid users reverting to the use of more expensive HCFCs. Working together with a vocational school, the project budget (US $20,000) would partially cover the replacement of equipment costs of a small producer. The refrigerant recovered from the replaced equipment would be reclaimed and lessons learned from the project will be disseminated to encourage users to adopt the new technology.

37. In line with decision 92/36(g), UNIDO was requested to report, upon completion of this project, on the achieved HCFC phase-out and energy efficiency gains.

Gender policy implementation

38. The Secretariat suggested to UNEP the inclusion or reference to the Multilateral Fund gender policy in memoranda and/or agreements with stakeholders and the NOU might consider tracking the career destinations of female RAC trainees and/or graduates to monitor the long-term outcome. UNEP agreed with the suggestions but explained that it would not be possible to continue the information campaign targeting young women through the second and third tranches of stage II of the HPMP without additional funding. The NOU plans discussions with the Ministry of Education on whether the Ministry is able to support the extension of an information campaign with its own funding or include it into its own programmes.

<u>Total project cost</u>

39. The total cost for stage II of the HPMP amounts to US $520,000, based on decision 74/50(c)(xii) on the eligible funding level for a low-volume consuming country. The funding for the first tranche was agreed as submitted. The second and third tranches of stage II are planned to be submitted to the first

meeting of the year instead of the second meeting for the country to have enough time to implement the activities of the third tranche and maximize its impact in the 2030 target.

Impact on the climate

40. The activities proposed in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO_2-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Guinea-Bissau, including its efforts to continue RAC technician training and facilitate the shift towards alternative low/zero-GWP energy-efficient technologies 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

41. Despite the complex political and economic situation in Guinea-Bissau, under stage I of the HPMP the country's achievements included the training of 490 customs and enforcement officers and 500 RAC technicians. Although Guinea-Bissau does not have a customs training school, there is an inter-ministerial order that sets out the collaboration between the NOU and the customs department to ensure continuous training and professional development of customs and other enforcement officers. The sustainability of training and certification of RAC technicians in good servicing practices will be supported through the certification scheme that will eventually be managed by a state-subsidised institution, the extension of the curricula of vocational training institutes, training trainers, and establishing laboratories in training centres to sustain training on hydrocarbons. Furthermore, the country will promote a refrigeration reclamation service in collaboration with the RAC association to ensure the success and sustainability of the scheme.

42. The Secretariat discussed with UNEP the risks to a successful implementation of the project and the sustainability of the HPMP achievements. The primary risks identified were associated with the country's political situation, insufficient refrigerant management regulations,[12] inadequate national project management and financial capacity, poor stakeholder engagement in HPMP activities, potential higher than expected HCFC consumption demands and external factors impacting the ability of the country and implementing agencies to implement stage II of the HPMP in a timely manner. These risks would be mitigated by the well-established NOU which can advocate the prioritization of HPMP activities, coordinate activities, and strengthen communication and collaboration amongst stakeholders. The proposed ban in new and used HCFC-based equipment will further strengthen HCFC phase-out and the enforcement of import controls will be supported through the continued training of customs and enforcement officers. UNEP will monitor the implementation of the stage II of the HPMP through reports and visits to detect any unforeseen difficulty or conflict that may prevent the success of the HPMP. In this regard UNEP is engaged with the United Nations Country Team (UNCT) of Guinea-Bissau allowing UNEP to closely monitor political challenges in Guinea-Bissau.

Co-financing

43. The Government of Guinea-Bissau will contribute to the implementation of stage II of the HPMP, in particular supporting the coordination and management of the HPMP, as well as other components. The anchoring of the NOU within the Ministry of Environment, Biodiversity and Climate Action and its

[12] *Inter alia*, mandatory recovery of HCFCs during the servicing of RAC equipment, prohibition of venting HCFCs during installation, servicing and decommissioning of RAC equipment, mandatory verifying of leakage for larger RAC equipment, and prohibition on refilling disposable cylinder are not in force.

collaboration with other Government bodies, will facilitate implementation of stage II of the HPMP, including aspects that are not covered by the Multilateral Fund. This support will be mainly in-kind, in the form of the provision of offices, assignment of local temporary staff to assist in the meetings and workshops, and transport for meeting and workshop participants.

2024-2026 draft business plan of the Multilateral Fund

44. UNEP and UNIDO are requesting US $520,000, plus agency support costs, for the implementation of stage II of the HPMP for Guinea-Bissau. The total requested value of US $306,445, including agency support costs, for the period of 2024–2026, is US $212,445 above the amount in the business plan.

Draft Agreement

45. A draft Agreement between the Government of Guinea-Bissau and the Executive Committee for stage II of the HPMP is contained in annex I to the present document.

RECOMMENDATION

46. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Guinea-Bissau for the period from 2024 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $578,800, consisting of US $300,000 plus agency support costs of US $39,000 for UNEP and US $220,000 plus agency support costs of US $19,800 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 Guinea-Bissau:

(i) To completely phase out HCFCs by 1 January 2030, and that HCFCs will not be imported after that date, except for those allowed for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;

(ii) To ban the import of HCFC-based equipment by 1 January 2029;

(c) Noting also that upon completion of the end-user projects included in stage II of the HPMP, UNIDO will submit a final report on the implementation of these project, including the HCFC phase-out and energy efficiency gains achieved, in line with decision 92/36(g);

(d) Deducting 1.84 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(e) Approving the draft Agreement between the Government of Guinea-Bissau 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;

(f) That, to allow for consideration of the final tranche of its HPMP, the Government of Guinea-Bissau should submit:

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

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

(g) Approving the first tranche of stage II of the HPMP for Guinea-Bissau, and the corresponding tranche implementation plan, in the amount of US $306,445, consisting of US $126,500, plus agency support costs of US $16,445 for UNEP, and US $150,000, plus agency support costs of US $13,500 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF GUINEA-BISSAU 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 Guinea-Bissau (the "Country") and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A ("The Substances") to a sustained level of zero ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.

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

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

4. The Country agrees to implement this Agreement in accordance with 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. UNEP has agreed to be the lead implementing agency (the "Lead IA") and UNIDO has agreed to be the cooperating implementing agency (the "Cooperating IA") under the lead of the Lead IA in respect of the Country's activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA and/or Cooperating IA taking part in this Agreement.

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

Non-compliance with the Agreement

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

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee, the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to the information necessary to verify compliance with this Agreement.

Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per 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	2.83
Total	C	I	2.83

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)	1.84	0.92	0.92	0.92	0.92	0.92	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	1.84	0.92	0.92	0.92	0.92	0.92	0	n/a
2.1	Lead IA (UNEP) agreed funding (US $)	126,500	0	0	121,500	0	0	52,000	300,000
2.2	Support costs for Lead IA (US $)	16,445	0	0	15,795	0	0	6,760	39,000
2.3	Cooperating IA (UNIDO) agreed funding (US $)	150,000	0	0	70,000	0	0	0	220,000
2.4	Support costs for Cooperating IA (US $)	13,500	0	0	6,300	0	0	0	19,800
3.1	Total agreed funding (US $)	276,500	0	0	191,500	0	0	52,000	520,000
3.2	Total support costs (US $)	29,945	0	0	22,095	0	0	6,760	58,800
3.3	Total agreed costs (US $)	306,445	0	0	213,595	0	0	58,760	578,800
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								1.84
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)								0.99
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0.0

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

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

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

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

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

(b) An independent verification report of the Plan results and the consumption of the Substances, as per 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. Overall monitoring will be provided by the Government through the national ozone unit (NOU), with assistance from the Lead IA. The NOU will submit annual progress reports to the Lead IA on the status of the Plan implementation.

2. Consumption of substances will be monitored and determined based on official import and export data registered by relevant Government departments. The NOU will compile and report the following data and information each year, on or before the relevant deadlines:

(a) Reports on the consumption of the substances to be submitted to the Ozone Secretariat in line with Article 7 of the Montreal Protocol; and

(b) Reports on country programme data to be submitted to the Secretariat of the Multilateral Fund.

3. Monitoring of the development of the Plan and verification of the achievement of performance targets will be assigned by Lead IA to an independent local enterprise or consultant(s). The enterprise or consultant(s) responsible for verification will have full access to relevant technical and financial information related to the implementation of the Plan.

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, and should include the activities implemented by the Cooperating IA;

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

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

(h) Carrying out required supervision missions;

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

(j) Coordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;

(k) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the Cooperating IA, the allocation of the reductions to the different budget items and to the funding of the Lead IA and the Cooperating IA;

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

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

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

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

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the 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 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES

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

(a) Providing assistance for policy development when required;

(b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a coordinated sequence in the activities;

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

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

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

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

Additional measures might be considered in cases where non-compliance extends for two consecutive years.

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