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

PROJECT PROPOSAL: TURKMENISTAN

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

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Turkmenistan

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

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2019	4.36 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year:** 2019
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.0	4.36				4.36

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	6.8	Starting point for sustained aggregate reductions:	6.8
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	2.38	Remaining:	4.42

(V) BUSINESS PLAN		2020	2021	2022	Total
UNIDO	ODS phase-out (ODP tonnes)	1.50	0.00	2.30	3.80
	Funding (US $)	132,000	0	198,000	330,000

(VI) PROJECT DATA			2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			4.42	4.42	4.42	4.42	4.42	2.21	n/a
Maximum allowable consumption (ODP tonnes)			4.42	4.42	4.42	4.42	4.42	2.21	n/a
Projects costs requested in principle (US $)	UNIDO	Project costs	165,000	0	103,500	0	0	40,000	308,500
		Support costs	11,550	0	7,245	0	0	2,800	21,595
Total project costs requested in principle (US $)			165,000	0	103,500	0	0	40,000	308,500
Total support costs requested in principle (US $)			11,550	0	7,245	0	0	2,800	21,595
Total funds requested in principle (US $)			176,550	0	110,745	0	0	42,800	330,095

(VII) Request for approval of funding for the first tranche (2020)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
UNIDO	165,000	11,550
Total	165,000	11,550

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Turkmenistan, 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 $308,500, plus agency support costs of US $21,595 as originally submitted.[2] The implementation of stage II of the HPMP will phase out 2.21 ODP tonnes of HCFCs and assist Turkmenistan in meeting the target of 67.5 per cent reduction in HCFC baseline consumption by 2025.

2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $228,000, plus agency support costs of US $15,960 for UNIDO, as originally submitted.

Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for Turkmenistan was initially approved at the 62nd meeting[3] and revised at the 71st meeting[4] to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $652,050, plus agency support costs, to phase out 2.38 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector, and including institutional strengthening (IS) at the level of US $319,550 for eight years starting in January 2012. The final tranche of the HPMP was approved under the intersessional approval process for the 85th meeting in May 2020; stage I will be completed by 31 December 2021.

<u>HCFC consumption</u>

4. The Government of Turkmenistan reported consumption of 4.36 ODP tonnes of HCFC in 2019, which is 35 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

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

HCFC-22	**2015**	**2016**	**2017**	**2018**	**2019**	**Baseline**
Metric tonnes (mt)	76.90	93.26	46.81	104.86	79.34	124.14
ODP tonnes	4.23	5.13	2.57	5.77	4.36	6.80

5. Since 2015, HCFC consumption has been below the control level of 6.12 ODP tonnes due to the implementation of HPMP activities, *inter alia* enforcement of the licensing and quota system; training of servicing technicians and public awareness; the ban on the import of HCFC-based equipment as of 1 January 2016; and the increasing imports of RAC equipment using alternative refrigerants. The higher consumption in 2016 and 2018 was due to the lower consumption in previous years as a consequence of the economic situation in the country. In addition, the Government's budget for 2017 was significantly reduced due to problems in the oil/gas sector, which impacted the local economy, including the market for refrigerants.

Country programme (CP) implementation report

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

[2] As per the letter of 14 July 2020 from the Agency of Nature and Environmental Protection of Turkmenistan to UNIDO.
[3] UNEP/OzL.Pro/ExCom/62/53 and Annex XIV of document UNEP/OzL.Pro/ExCom/62/62
[4] Annex XVI of document UNEP/OzL.Pro/ExCom/71/64

Verification report

7. In July 2020, UNIDO submitted an updated[5] verification report indicating that the country's consumption for 2019 was 79.34 mt of HCFC-22 (4.36 ODP tonnes) which was in compliance with the HCFC consumption of 6.12 ODP tonnes allowed for that year.

Status of progress and disbursement

Legal framework

8. A law in Turkmenistan bans the import, export and transit of all phased-out ODS, the monitoring of which is under the responsibility of customs; the Ecological Control Service is controlling and monitoring the substances in use, and only the import of HCFC-22 is allowed. The Government has issued an import ban on all equipment containing ODS, including HCFC-based equipment, in effect since 1 January 2016. There have not been any cases of illegal imports of phased-out ODS, and the Government is not aware of the use of phased-out ODS on the country's market, nor is it aware of any stockpiles of such substances.

9. A total of 241 customs and enforcement officers have been trained in HCFC import/export control and the prevention of illegal trade in ODS. In addition, 35 officers from the Ecological Control Service and the State Laboratories of Turkmenistan have been trained in ODS identification.

Refrigeration servicing sector

10. Support has been provided to two training institutions for training in good RAC servicing practices through the provision of ODS identifiers and servicing tools (e.g., aspirators for sampling and filters, recovery cylinders, clamps). A total of 50 trainers and 250 technicians were trained in good servicing practices, RAC equipment maintenance, and the use of alternative refrigerants. Fifteen trainers received international certification like the F-gas standard and the Eurasian Economic Union (EAEU) work permits.

Level of fund disbursement

11. As of June 2020, of the US $652,050 approved so far, US $600,480 (92 per cent) had been disbursed, resulting in a balance of US $51,570. Of that balance, US $25,970 will be disbursed in 2020 to cover the functioning of the national ozone unit (NOU), and US $25,600 has been assigned to the remaining HPMP activities which have been postponed due to the COVID-19 and are expected to be completed in 2021.

Stage II of the HPMP

Remaining consumption eligible for funding

12. After deducting 2.38 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 4.42 ODP tonnes of HCFC-22, of which 2.21 ODP tonnes will be phased out in stage II. The remaining consumption of 2.21 ODP tonnes eligible for funding will be addressed in a future stage of the HPMP.

[5] The verification report submitted at the 85th meeting did not include data for 2019; therefore, it was updated to provide the data at the 86th meeting.

Sector distribution of HCFCs

13. There are approximately 2,000 technicians and 30 registered workshops servicing: air-conditioning (AC), commercial refrigeration, refrigerated transport, medical units, chillers, heat pumps, and large district heating systems, as shown in Table 2.

Table 2. Demand in 2019 for HCFC-22 in the RAC servicing sector in Turkmenistan

Sector/applications	**Equipment inventory**	**Average charge (kg)**	**Leakage rate (%)**	**Consumption (mt)**
Room AC (unitary and split)	350,000	0.2	10	7
Commercial AC (roof top, multi-split, chillers)	13,500	30	10	40.5
Commercial refrigeration (medium condensing units)	1,556	15	15	3.5
Industrial refrigeration (medium to large condensing units, centralized systems)	605	200	20	24.2
Others	273,333	0.15	10	4.1
Total	**638,994**	**n/a**	**n/a**	**79.3**

14. HCFC-22 represents 25 per cent of the refrigerants used in the servicing sector, followed by HFC-134a (46 per cent), R-410A (14 per cent) and other various refrigerants (15 per cent).

Phase-out strategy in stage II of the HPMP

15. Stage II of the HPMP has been designed based on the experience gained during the implementation of stage I. It aims to continue implementing and enforcing the policies and regulations in place and to develop additional measures; provide technical assistance, capacity building and certification in the servicing sector; and upgrade the centre of excellence for training by including low- and zero-global-warming potential (GWP) alternative technologies. It will also promote the sustainable introduction of lower-GWP options in the RAC sector and the mandatory collection and reclamation of ODS.

16. The Government of Turkmenistan decided to separate the IS project from stage II of the HPMP, as a way of seeking complementary actions and optimizing resources; accordingly, the request for renewal of the IS project has been submitted to the 86th meeting.[6] The IS project will continue to implement the strengthening of the framework legislation to support stage II of the HPMP in addition to other activities such as issuing import licenses, data reporting, awareness raising, and coordination with main stakeholders.

Proposed activities in stage II of the HPMP

17. Stage II proposes the following activities:

(a) *Training and upgrading the Customs and Ecological Control Service:* updating 100 customs officers and other enforcement officers on the revised ODS legislation, and development of information materials on how to combat potential illegal trade in all Montreal Protocol controlled substances; training of at least 20 officers from the Ministry of Agriculture and Environment Protection on the implementation of the Montreal Protocol and on ozone-layer-related matters; and providing five refrigerant identifiers to detect HCFC/HFC blends (US $35,000);

(b) *Strengthening the capacity of the servicing sector and establishing a certification scheme:* establishing a mandatory certification system for service technicians, including mandatory reporting on the consumption of refrigerants; development of a code of practice for

[6] UNEP/OzL.Pro/ExCom/86/35.

handling refrigerants and the adoption of standards for the safe introduction of flammable or toxic refrigerants; certification of five trainers under international standards covering HCFCs, HFCs, and flammable refrigerants and the provision of training kits for trainers; training of 150 service technicians on the certification standards; and training of 50 key stakeholders and officers from the Department of Environment Protection on low-GWP alternative refrigerants (US $55,500);

(c) *Upgrading the centre of excellence in low- and zero-GWP alternative technologies:* delivery of eight training simulators[7] with operating manuals (translated to Turkmen or Russian) and updating five training programmes on the uses of equipment (US $130,000); and

(d) *Establishment of an ODS reclamation system*: prohibiting the deliberate venting of ODS, establishing mandatory leakage control for industrial refrigeration and chillers, and the compulsory collection, reclamation, and disposal of ODS; supplying the set of equipment to collect and recycle ODS and HFCs, including a reclamation unit, refillable containers, filters, and accessories for three years; and development of technical documentation for the establishment of an ODS and HFCs collection and reclamation system (US $68,000).

Project monitoring and evaluation

18. The system established under stage I of the HPMP will continue into stage II. The NOU will monitor activities, report progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US $20,000 (travel (US $5,000) and hiring of experts (US $15,000)).

Gender policy implementation

19. The Government of Turkmenistan and UNIDO will follow decision 84/92(d);[8] the NOU will inform relevant stakeholders on gender policy and encourage women to participate in the events/activities organized under stage II of the HPMP. The NOU will also collect sex-disaggregated data, including for RAC technicians and customs officers, where possible, for reporting in tranche implementation progress reports and/or the project completion report.

Total cost of stage II of the HPMP

20. The total cost of stage II of the HPMP for Turkmenistan amounts to US $308,500 (plus agency support costs), as originally submitted, to achieve 67.5 per cent reduction from its HCFC baseline consumption by 2025 which is in accordance with decision 74/50(c)(xii).

Activities planned for the first tranche of stage II

21. The first funding tranche of stage II of the HPMP, at the total amount of US $228,000, will be implemented between January 2021 and June 2022 and will include the following activities:

(a) *Training and upgrading the Customs and the Ecology Control Service*: updating 75 customs officers and other enforcement officers on the revised ODS legislation, and developing information materials on how to combat potential illegal trade in all Montreal Protocol controlled substances; training of at least 20 officers from the Ministry of

[7] Training simulators for: basic operation of refrigeration machines, troubleshooting, soldering/welding with ventilation, refrigerant types and identification, chiller and fan coil system, variable refrigerant flow (VRF)-systems, recovery and regeneration of refrigerants; and HC-based technology.

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

Agriculture and Environment Protection on the implementation of the Montreal Protocol and on ozone-layer-related matters; and providing five units of refrigerant identifiers to detect HCFC/HFC blends (US $30,000);

(b) *Upgrading the centre of excellence in low- and zero-GWP alternative technology*: procurement and delivery of eight training simulators with operating manuals (translated to Turkmen or Russian), and updating five training programmes on the uses of equipment US $130,000); and

(c) *Strengthening the capacity of the servicing sector and establishing a certification scheme:* establishing a mandatory certification system for service technicians, including mandatory reporting on the consumption of refrigerants; development of a code of practice for the handling refrigerants and the adoption of standards for the safe introduction of flammable or toxic refrigerants, and to encourage the phase-in of ozone-safe technologies with low-GWP-based refrigerants; certification of five trainers under international standards and the provision of training kits for trainers (US $15,000);

(d) *Establishment of an ODS reclamation system*: prohibiting the deliberate venting of ODS, establishing mandatory leakage control for industrial refrigeration and chillers, and compulsory collection, reclamation, and disposal of ODS; allocation and preparation of site, supplying the set of equipment to collect and recycling ODS and HFCs, including a reclamation unit, refillable containers, filters, and accessories for three years; and development and approval of technical documentation for the establishment of an ODS and HFC collection and reclamation system; re-training of personnel and establishment of ODS and HFC record keeping system (US $48,000); and

(e) *Project monitoring and evaluation*: international advisors for monitoring support (US $5,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

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

23. The Government of Turkmenistan proposes to meet the 67.5 per cent reduction of its HCFC baseline consumption by 2025. Although the 2019 consumption of HCFC-22 is close to the maximum allowable level of consumption for 2020, it was indicated that since the import of equipment containing HCFCs has been banned since 1 January 2016 and the existing HCFC-based units are now at their end-of-life, further reductions in the demand for HCFCs are expected. UNIDO further indicated that the strategy for stage II was discussed and agreed upon with national stakeholders, and aligns the HCFC phase-out with future HFC phase-down.

Legal framework

24. The Government of Turkmenistan has already issued HCFC import quotas for 2020 at 4.12 ODP tonnes, which is lower than the Montreal Protocol control targets. The legislation to prohibit the deliberate venting of ODS, establishing mandatory leakage control for industrial refrigeration and chillers, and compulsory collection, reclamation, and disposal of ODSs is expected by 1 January 2023.

Technical and cost-related issues

25. Currently, low-GWP-based RAC equipment accounts for only a 2.1 per cent share of the total non-HCFC equipment installed in the country, which is based on HFC-refrigerants. The main barrier to introducing RAC equipment operating with zero/low-GWP refrigerants (e.g., R-290, CO_2) is the lack of experience in its use and safety considerations. In addition, the HFC-based equipment is priced lower than equipment operating on low-GWP-based refrigerants. The activities under stage II are aimed at strengthening national capacity through training of technicians, awareness-raising for key stakeholders, development of regulations and codes of practice for handling flammable and toxic refrigerants and adoption of associated standards.

26. In clarifying the addition of a reclaim and disposal system for unwanted ODS, UNIDO explained that the country lacks a system for collecting and disposing of ODS, which may result in significant emissions into the atmosphere. Through this programme, the Government will establish a system to extract and collect remaining ODS in old equipment and at the same time establish the recovery, recycling, and reclamation of refrigerants on a mandatory basis. This scheme will be made self-sustainable as it is expected to recover an amount that may be used to service remaining HCFC-22-based equipment until 2030. This system will also be used for future HFC recovery and recycling. The activities requested in the HPMP do not include the cost of destruction of the unwanted ODS. The Government will hold internal high level discussions to define how to fund the final disposal of those unwanted substances outside the Multilateral Fund.

IS component

27. The Secretariat discussed with UNIDO on when the IS funding approved as part of the fourth tranche of stage I would be completely disbursed. UNIDO confirmed that the remaining amount of US $25,970 assigned to the functioning of the NOU would be fully disbursed by December 2020. As a result, the Secretariat concluded that there would be no overlapping of funding between the IS component of stage I and the IS renewal request submitted as a stand-alone project to the 86th meeting.

28. The Secretariat discussed with UNIDO the proposed tranche distribution for stage II, noting the importance of ensuring a balanced distribution according to the needs of the country to sustain activities up to 2025 and to recuperate some delays carried from the country lockdown in 2020. Based on these consultations, a revised tranche distribution was agreed as shown in Table 3.

Table 3. Original and revised tranche distribution for stage II of the HPMP for Turkmenistan

Funding (US $)	2020	2021	2022	2023	2024	2025
As submitted	228,000		40,500	0	40,000	0
Revised	165,000	0	103,500	0	0	40,000

Activities planned for the first tranche

29. The funding for the first tranche of stage II and associated activities were revised as follows: the training-of-trainers programme and certifications (US $15,000); and the establishment of an ODS reclamation system (US $48,000) both planned for the first tranche were moved to the second tranche.

Impact of the COVID-19 pandemic on HPMP implementation

30. The Government of Turkmenistan took steps to prevent the spread of COVID-19 in the country, such as travel and quarantine restrictions The COVID-19 pandemic did not affect the implementation of stage I which had been substantially completed before the outbreak. It is expected that the launching of main activities of stage II will begin in 2021 without delays. The Government indicated that the implementation of stage II, especially the upgrade of the training centres' infrastructure and the establishment of an ODS reclamation system, will result in new job creation and thus contribute to the post-COVID-19 economic recovery in the country.

Impact on the climate

31. The proposed activities in the servicing sector, which include better containment of refrigerants 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-equivalent tonnes. Although a detailed calculation of the impact on the climate was not included in the HPMP, the activities planned by Turkmenistan, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and recycling, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

32. The Government of Turkmenistan will provide in-kind contribution covering the salary of management-level officers to oversee the NOU, office premises, and telecommunications to implement HPMP activities. The beneficiaries of the HPMP will contribute through in-kind contributions (e.g., civil works, the laying of utility systems and power mains, the provision of personnel, consumables for some of the equipment items to be provided under the HPMP, and the maintenance and servicing of equipment).

2020-2022 draft business plan of the Multilateral Fund

33. UNIDO is requesting US $308,500, plus agency support costs, for the implementation of stage II of the HPMP for Turkmenistan. The total requested value of US $176,550, including agency support costs for the period of 2020–2022, is US $153,450 below the amount in the business plan.

Draft Agreement

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

RECOMMENDATION

35. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Turkmenistan for the period from 2020 to 2025 to reduce HCFC consumption by 67.5 per cent of the country's baseline, in the amount of US $308,500, plus agency support costs of US $21,595 for UNIDO;

(b) Deducting 2.21 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

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

(d) Approving the first tranche of stage II of the HPMP for Turkmenistan, and the corresponding tranche implementation plan, in the amount of US $165,000, plus agency support costs of US $11,550 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF TURKMENISTAN 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 Turkmenistan (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 2.21 ODP tonnes by 1 January 2025 in compliance with Montreal Protocol schedule.

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

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

4. The Country agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved ("the Plan"). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

  (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;

  (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

  (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A ("Format of Tranche Implementation Reports and Plans") covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

(d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

Flexibility in the reallocation of funds

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

(a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:

    (i) Issues potentially concerning the rules and policies of the Multilateral Fund;

    (ii) Changes which would modify any clause of this Agreement;

    (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;

    (iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche; and

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

(b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report; 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 co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The 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 sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

15. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	6.8

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	4.42	4.42	4.42	4.42	4.42	2.21	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	4.42	4.42	4.42	4.42	4.42	2.21	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	165,000	0	103,000	0	0	40,000	308,500
2.2	Support costs for Lead IA (US $)	11,550	0	7,245	0	0	2,800	21,595
3.1	Total agreed funding (US $)	165,000	0	103,000	0	0	40,000	330,095
3.2	Total support costs (US $)	11,550	0	7,245	0	0	2,800	21,595
3.3	Total agreed costs (US $)	176,550	0	110,745	0	0	42,800	330,095
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)							2.21
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)							2.38
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							2.21

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

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

17. 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

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

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

(b) An independent verification report of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;

(c) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;

(d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

(e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

19. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

(a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and

(b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

20. All the monitoring activities will be coordinated within the National Ozone Unit (NOU).

21. The NOU, under the Ministry of Agriculture and Environment Protection of Turkmenistan, is responsible for coordinating the country action plan with respect to ozone layer protection and facilitation of ODS phase-out. The NOU is in charge of implementing the country programmes under the Montreal Protocol. Implementation of the planned project activities will thus be allocated to the NOU in cooperation with the Lead IA. The NOU as a management body has responsibility towards the Ministry of Agriculture and Environment Protection of Turkmenistan as decision-making body.

APPENDIX 6-A: ROLE OF THE LEAD-IMPLEMENTING AGENCY

22. The Lead IA will be responsible for a range of activities, including at least the following:

(a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;

(b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4A;

(c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;

(d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

(e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee;

(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; and

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

23. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

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

24. 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.

25. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.