Annex VII

AGREEMENT BETWEEN EGYPT AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES

1. This Agreement represents the understanding of Egypt (the "Country") and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A ("The Substances") prior to 2010, compliance with Protocol schedules.

2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A ("The Targets, and Funding") and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. 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 the Substances.

3. Subject to compliance with the following paragraphs 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 9 of Appendix 2-A ("The Targets, and Funding") 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 will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.

5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) That the Country has met the Target for the applicable year;

(b) That the meeting of the Target has been independently verified as described in paragraph 9; and

(c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;

(d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A ("Format for Annual Implementation Programmes") in respect of the year for which funding is being requested.

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 that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country's Annual Implementation Programme, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing subsector:

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

(b) The recovery and recycling programme for the refrigeration servicing sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities, such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

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 ("Lead IA"). The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 10 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 1-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. In 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 instalment of Funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeding the Maximum Allowable Total Consumption of CFCs limit (Appendix 2-A) in any one year.

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

12. 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 access to the Lead IA to information necessary to verify compliance with this Agreement.

13. All of the agreements 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 Protocol unless otherwise defined herein.

APPENDIX 1-A THE SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex	Group	Chemical
A	1	CFCs

APPENDIX 2-A THE TARGETS, AND FUNDING

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
Montreal Protocol Reduction Schedule (ODP tonnes)	1,668	834	834	250	250	250	0	n.a.
1. Max allowable total consumption of CFCs (ODP tonnes)	1,047	822	595	240	113	49	0	n.a.
2. Reduction from on-going projects (ODP tonnes)	-	35	19	27	23	25	0	129
3. New reduction under plan (ODP tonnes)	40	150	182	100	41	24	0	537
4. Reduction through institutional measures (ODP tonnes)	185	42	0	0	0	0	0	227
5. Unfunded phase out (MDI)	0	0	154	0	0	0	0	154
6. Total annual reduction (ODP tonnes)	225	227	355	127	64	49	0	1,047
7. Lead IA agreed funding (US $)	0	1,000,000	1,200,000	600,000	200,000	100,000	0	**3,100,000**
8. Lead IA support costs (US $)	0	75,000	90,000	45,000	15,000	7,500	0	232,500
9. Total agreed funding (US $)	0	1,000,000	1,200,000	600,000	200,000	100,000	0	**3,100,000**
10. Total agency support costs (US $)	0	75,000	90,000	45,000	15,000	7,500	0	232,500
11. Total agreed grant for tranche (US$)	0	1,075,000	1,290,000	645,000	215,000	107,500	0	**3,332,500**

APPENDIX 3-A FUNDING APPROVAL SCHEDULE

1. Funding other than the payments in 2005, will be considered for approval at the last meeting of the year of the annual implementation plan.

APPENDIX 4-A FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

1. **Data**

Country	____________________
Year of plan	____________________
# of years completed	____________________
# of years remaining under the plan	____________________
Target ODS consumption of the preceding year	____________________
Target ODS consumption of the year of plan	____________________
Level of funding requested	____________________
Lead implementing agency	____________________
Co-operating agency(ies)	____________________

2. **Targets**

Target:	Reduction of			
Indicators		**Preceding Year**	**Year of Plan**	**Reduction**
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	**Consumption Preceding Year (1)**	**Consumption Year of Plan (2)**	**Reduction within Year of Plan (1)-(2)**	**Number of Projects Completed**	**Number of Servicing Related Activities**	**ODS Phase-Out (in ODP tonnes)**
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity: ______________________________

Objective: ______________________________

Target Group: ______________________________

Impact: ______________________________

5. **Government Action**

Policy/Activity Planned	**Schedule of Implementation**
Type of policy control on ODS import: servicing, etc.	
Public awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US $)
TOTAL	

7. **Administrative Fees**

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1. The overall management of the plan will be carried out by the Government of Egypt with the assistance of UNIDO.

2. The Ozone Unit will be responsible for monitoring the implementation of the phase-out plan. The Ozone Unit - EEAA will be responsible for tracking the promulgation and enforcement of policy and legislation and will assist UNIDO with the preparation of annual implementation plans and progress report for the consideration of the Executive Committee.

3. The implementation of the phase-out plan will need to be closely aligned and coordinated with the various policy, regulatory, fiscal, awareness and capacity-building actions, which the Government of Egypt is taking, to ensure that the implementation is consistent with its priorities.

4. The phase-out plan for the entire refrigeration sector will be managed by a dedicated team, consisting of a coordinator to be designated by the Government and supported by the implementing agency. The policy and management support component of the phase-out plan will include the following activities for the duration of the plan:

(a) Management and co-ordination of the implementation with the various Government policy actions pertaining to the refrigeration sector;

(b) Establishment of a policy development and enforcement programme, covering various legislative, regulatory, incentive, disincentive and punitive actions to enable the Government to exercise the required mandates in order to ensure compliance by industry with the phase-out obligations;

(c) Development and implementation of training, awareness and capacity-building activities for key government departments, legislators, decision-makers and other institutional stakeholders, to ensure a high-level commitment to the objectives and obligations;

(d) Awareness creation of the phase-out plan and the Government initiatives in the refrigeration sector among consumers and public, through workshops, media publicity and other information dissemination measures;

(e) Preparation of annual implementation plans including determining the sequence of enterprise participation in planned sub-projects;

(f) Verification of ODS phase-out in completed sub-projects within the plan through plant visits and performance auditing;

(g) Establishment and operation of a reporting system of usage of ODS/substitutes by users;

(h) Reporting of implementation progress of the plan for the annual performance-based disbursement;

(i) Establishment and operation of a decentralized mechanism for monitoring and evaluation of outputs, in association with provincial regulatory environmental bodies to ensure sustainability; and

(j) Assisting in conducting an independent verification audit of ODS use in the country.

5. For the implementation of refrigeration-servicing sector activities, the Ozone Unit will be responsible for the national coordination of the entire programme and for setting up an appropriate local coordination network.

6. The following activities are envisaged and are requirements for the coordination:

(a) Reassessment and analysis of the sector after the approval of the National CFC phase-out plan (NPP);

(b) Determination of the specification of equipment to be provided by the NPP;

(c) Awareness promotion at the regional level;

(d) Ongoing monitoring of technical training including number of trainers and trainees and status of certification;

(e) Development of business criteria for refrigerant recycling centres; and

(f) Selecting service workshops for recovery and recycling equipment.

7. Non-recyclable refrigerants should be kept for further treatment at the proper site.

8. The Ozone unit under the general guidance of UNIDO will monitor the consumption data of all ODS through regional teams. Inspections at reconverted companies are foreseen to ensure that CFCs are not used after project completion. The licensing system will be a tool to monitor and ensure compliance of control measures.

9. The Government has offered and intends to provide ongoing activities and endorsement for the projects through the institutional support over the next years. This will guarantee the success of any activity approved for Egypt.

10. After the establishment of the countrywide scheme of refrigerant recovery and recycling, the monitoring activity will be initiated to know whether the project was successfully implemented and to confirm that the target CFC phase out was achieved.

11. Monitoring activity by the designated authority (e.g. Ozone Office, government agency, local environment institute) will be performed by:

(a) Establishing a system to ensure with the counterpart institute, that every recycling centre and service workshop is encouraged or obliged to report data and give information to the recovery and recycling scheme. This may be enabled through forms to be completed by recycling centres and service workshops;

(b) Setting up adequate office facilities including a computer system to collect and analyze the data;

(c) Regular communication with the counterpart institute;

(d) Occasional visits to workshops and recycling centres; and

(e) Regular communication with customs offices.

APPENDIX 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

(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 phase-out plan;

(b) Providing independent verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;

(c) Assisting the Country in preparation of the Annual Implementation Programme;

(d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;

(e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee;

(f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;

(g) Carrying out required supervision missions;

(h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;

(i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Target;

(j) Ensuring that disbursements are made to the Country in a timely and effective manner; and

(k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US $ 5,000 per ODP tonne of reductions in consumption not achieved in the year.