



MULTILATERAL FUND
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Secretariat

23 June 2015

Dear Mr. Haji-Zadeh,

I refer to the Seventy-fourth meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol held in Montreal, Canada, from 18 to 22 May 2015.

I am pleased to inform you that in accordance with the attached updated Agreement the Executive Committee approved funding of US \$888,839 for the fourth tranche of stage I of the HCFC phase-out management plan (HPMP) for the Government of the Islamic Republic of Iran to be implemented by the Government of Germany (US \$ 288,582), UNDP (US \$250,430) and UNIDO (US \$274,827).

In approving the project the Executive Committee:

noted that the Agreement between your Government and the Executive Committee had been updated in Appendix 2-A to deduct US \$225,500, plus agency support costs of US \$16,913 for UNDP, associated with the postponement of the conversion of the systems house component of the enterprise "USC" to stage II of the HPMP, and to indicate in paragraph 16 that the updated Agreement superseded that reached at the Seventy-second meeting; and

requested your Government, UNDP, UNEP, UNIDO and the Government of Germany to submit progress reports on a yearly basis on the implementation of the work programme associated with the fourth tranche until the completion of the project, verification reports until approval of stage II, and the project completion report no later than the first meeting of the Executive Committee in 2019.

I would also like to inform you that the Executive Committee approved funding of US \$75,000 for the preparation of HCFC phase-out investment activities for stage II (rigid polyurethane foam sector), to be implemented by UNIDO.

Mr. Ebrahim Haji-Zadeh
National Project Manager
Director of Ozone Layer Protection Unit
Department of Environment, Environmental Research Center
Tehran
Islamic Republic of Iran

The Executive Committee considered decision XXVI/9 (paragraph 4) of the Twenty-sixth Meeting of the Parties on additional funding to conduct inventories or surveys of ODS alternatives and decided that the scope of the surveys was to obtain information on ODS alternatives in Article 5 countries including data (where available) and estimates of ODS alternatives currently in use by sector and subsector, and forecasts of ODS alternatives most commonly used. In light of the discussion the Executive Committee approved funding of US \$130,000 for the survey of ODS alternatives at the national level in the Islamic Republic of Iran, to be implemented by UNDP. Please note that the Executive Committee will consider a format for preparation of the surveys and presentation of the resulting data at its Seventy-fifth meeting, on the understanding that your Government could initiate the surveys before the format was agreed.

Finally, in the context of the agenda item on Status reports and reports on projects with specific reporting requirements, the Executive Committee noted the progress report on the implementation of the halon phase-out project in the Islamic Republic of Iran, submitted by UNIDO on behalf of your Government, and decided to extend the planned completion date for the project until 31 December 2015. In this regard the Executive Committee requested UNIDO to provide a progress report to each meeting until the completion of the project and to submit the project completion report no later than the Seventy-seventh meeting.

Sincerely yours,



Eduardo Ganem
Chief Officer

Enclosure

c.c.: Ms. Ulrike Haupt – Germany
Mr. Jacques Van Engel – UNDP
Ms. Shamila Nair-Bedouelle – UNEP
Mr. Stephan Sicars – UNIDO

**UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC
OF IRAN AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE
REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS**

1. This Agreement represents the understanding of the Government of the Islamic Republic of Iran (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 266.35 ODP tonnes by 1 January 2018 in compliance with Montreal Protocol schedules.
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 which exceeds the level defined in row 1.2 of Appendix 2-A (maximum allowable total consumption of Annex C, Group I substances) 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 which exceeds the level defined in rows 4.1.3 and 4.2.3.
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 (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 (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2-A. It will also accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of these consumption limits as described in sub-paragraph 5(b) 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 Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted tranche implementation reports in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) 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;

- (d) That the Country has submitted and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (the “Format of Tranche Implementation Reports and Plans”) 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; and
- (e) That, for all submissions from the 68th Meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this agreement.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring Institutions and Roles”) will monitor and report on Implementation of the activities in the previous tranche implementation plan in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. 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 Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, 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 the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

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. UNDP has agreed to be the lead implementing agency (the “Lead IA”) and UNEP, UNIDO and the Government of Germany have agreed to be cooperating agencies 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 any of the IA taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). This responsibility includes the necessity to co-ordinate with the cooperating agencies to ensure appropriate timing and sequence of activities in the implementation. The cooperating agencies will support the Lead IA by

implementing the activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and cooperating agencies have entered into a formal agreement regarding planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular coordination meetings. The Executive Committee agrees, in principle, to provide the Lead IA and the cooperating agencies with the fees set out in rows 2.2, 2.4, 2.6 and 2.8 of Appendix 2-A.

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 amounts set out in Appendix 7-A in respect of each ODP tonne 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 these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

12. The Funding 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.

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

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. 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 Montreal Protocol unless otherwise defined herein.

16. This updated Agreement supersedes the Agreement reached between the Government of the Islamic Republic of Iran and the Executive Committee at the 72nd meeting of the Executive Committee.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	163.6
HCFC-141b	C	I	216.9
Total			380.5

Row	Particulars	2011	2012	2013	2014	2015	2016	2017	2018	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	380.5	380.5	342.45	342.45	342.45	342.45	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	380.5	380.5	342.45	342.45	342.45	266.35	n/a
2.1	Lead IA UNDP agreed funding(US \$)	2,242,000	1,370,000	477,816	0	250,430*	0	0	0	4,340,246
2.2	Support costs for Lead IA(US \$)	168,150	102,750	35,836	0	18,782	0	0	0	325,518
2.3	Cooperating IA UNEP agreed funding (US \$)	262,000	0	0	0	0	0	0	0	262,000
2.4	Support costs for Cooperating IA (US \$)	34,060	0	0	0	0	0	0	0	34,060
2.5	Cooperating IA UNIDO agreed funding (US \$)	1,300,000	830,000	101,450	0	274,827	0	0	0	2,506,277
2.6	Support costs for Cooperating IA (US \$)	97,500	62,250	7,609	0	20,612	0	0	0	187,971
2.7	Cooperating agency Germany agreed funding (US \$)	2,063,000	534,233	0	0	288,582	0	0	0	2,885,815
2.8	Support costs for Cooperating agency (US \$)	234,079	60,617	0	0	32,744	0	0	0	327,440
3.1	Total agreed funding (US \$)	5,867,000	2,734,233	579,266	0	813,839	0	0	0	9,994,338
3.2	Total support cost (US \$)	533,789	225,617	43,445	0	72,138	0	0	0	874,989
3.3	Total agreed costs (US \$)	6,400,789	2,959,850	622,711	0	885,977	0	0	0	10,869,327
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)									38.6
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)									-
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)									125.0
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)									125.8
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)									-
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)									91.1

*Funds associated with systems house component of USC, withdrawn from stage I.

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than 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 Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, 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. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;
 - (b) A verification report of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, 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 in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
 - (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the country and lead implementing agency; and
 - (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The monitoring process will be managed by the Islamic Republic of Iran Department of Environment (DOE) through the National Ozone Unit (NOU) with the assistance of the Lead IA.
2. The consumption will be monitored and determined based on official import and export data for the Substances recorded by relevant government departments.
3. The NOU shall compile and report the following data and information on an annual basis on or before the relevant due dates:
 - (a) Annual reports on consumption of the Substances to be submitted to the Ozone Secretariat;
 - (b) Annual reports on progress of implementation of HPMP to be submitted to the Executive Committee of the Multilateral Fund; and
4. The NOU and the Lead IA will engage an independent and qualified entity to carry out a qualitative and quantitative performance evaluation of the HPMP implementation.
5. The evaluating entity shall have full access to relevant technical and financial information related to implementation of the HPMP.
6. The evaluating entity shall prepare and submit to the NOU and the Lead IA, a consolidated draft report at the end of each Tranche Implementation Plan, comprising of the findings of the evaluation and recommendations for improvements or adjustments, if any. The draft report shall include the status of the Country's compliance with the provisions of this Agreement.
7. Upon incorporating the comments and explanations as may be applicable, from NOU, Lead IA and the Cooperating IAs, the evaluating entity shall finalize the report and submit to the NOU and Lead IA.
8. The NOU shall endorse the final report and the Lead IA shall submit the same to the relevant meeting of the Executive Committee along with the Tranche Implementation plan and reports.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for 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 phase-out plan;
 - (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;
 - (c) Providing verification to the Executive Committee that the Targets have been met and associated annual 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 tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) Coordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (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 and the co-ordinating implementing agencies, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

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 HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b), sub-paragraph 1(b) of Appendix 4-A and Appendix 5-A.

APPENDIX 6-B: ROLE OF COOPERATING AGENCIES

1. The Cooperating IA will be responsible for the following:
 - (a) 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; and
 - (b) Providing timely reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$124 per ODP tonne 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.