



GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS*

THE GEF/LDCF/SCCF TRUST FUNDS

GEF ID:	4602		
Country/Region:	Azerbaijan		
Project Title:	Initiation of the HCFCs Phase out in the Republic of Azerbaijan.		
GEF Agency:	UNIDO	GEF Agency Project ID:	
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Ozone Depleting Substances
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CHEM-2; CHEM-2; Project Mana;		
Anticipated Financing PPG:	\$40,000	Project Grant:	\$2,620,000
Co-financing:	\$6,550,000	Total Project Cost:	\$9,210,000
PIF Approval:	March 22, 2012	Council Approval/Expected:	June 07, 2012
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Anil Sookdeo	Agency Contact Person:	Mr. Yury Sorokin

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible?	Yes	Yes
	2. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	No	No
	3. Has the operational focal point endorsed the project?	Yes	
Agency's Comparative Advantage	4. Is the Agency's comparative advantage for this project clearly described and supported?	Yes	Yes
	5. Is the co-financing amount that the Agency is bringing to the project in line with its role?	Yes	Yes
	6. Does the project fit into the Agency's program and staff capacity in the country?	Please provide further details on the regional/country presence of UNIDO to support this project. 28/12/2011 - Comment addressed	Yes

*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

¹ Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated 9-8-2010

Resource Availability	7. Is the proposed GEF/LDCF/SCCF Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?		
	• the focal area allocation?		
	• the LDCF under the principle of equitable access?		
	• the SCCF (Adaptation or Technology Transfer)?		
	• focal area set-aside?		
Project Consistency	8. Is the project aligned with the focal area/multi-focal area/ LDCF/SCCF results framework?	<p>The Project is aligned with the Chemical Strategy, however please clarify the reasoning in including reduction in 2010 in the project.</p> <p>28/12/2011 - Comments addressed and 2010 reduction has been removed. Comment Cleared.</p>	Yes
	9. Are the relevant GEF 5 focal area/ LDCF/SCCF objectives identified?	Yes	Yes
	10. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, and NCSA?	Yes	<p>1. Azerbaijan was found to be in non-compliance with its HCFC obligations in 2011 (7.6 ODP tonnes). Accordingly, Azerbaijan presented a plan of action to return to compliance to the Implementation Committee at its 51st meeting. At the 25th meeting, the Parties noted that no further action was necessary in view of the party's return to compliance with the HCFC phase-out in 2012 (i.e., 3.5 ODP tonnes) and its implementation of regulatory, administrative and technical measures to ensure compliance with the Protocol's control measures for HCFC. The Parties also urged Azerbaijan to work with the relevant implementing agencies to implement its plan of action for the consumption of HCFCs and to monitor closely the party's progress with regard to the implementation of its obligations under the Protocol (decision XXV/10). Based on the above, Azerbaijan should reduce 2.0 ODP</p>

			<p>tonnes of HCFCs to achieve the 90 per cent reduction target in 2015 and an additional 0.07 ODP tonnes to achieve the 99.5 per cent reduction target in 2020. However, based on a consumption of 18.95 ODP tonnes presented in Table 2 (i.e., the 2009-2010 average consumption gathered through the survey), either Azerbaijan is currently in non-compliance or the consumption reported under Article 7 of the Protocol is incorrect (i.e., the country cannot be in compliance and at the same time have an HCFC consumption above the control target of 3.7 ODP tonnes). This situation requires further clarification.</p> <p>2. While the HPMP is proposing to phase-out 18.95 ODP tonnes of HCFCs, it is unclear if the Government intends to request a change of its baseline for compliance. While some Article 5 countries have requested a correction of their baseline (which is based on corrected consumption for the years 2009 and/or 2010), this does not seem to be an option for Azerbaijan taking into account that the basis for calculating the baseline for non-Article 5 countries is the HCFC consumption plus 2.8 per cent of the CFC consumption reported under Article 7 of the for Protocol for 1989. If this would be the case, the Government would need to address it with the Ozone Secretariat. The Secretariat notes that this issue was included in Azerbaijan's plan of action recommended by the Implementation Committee.</p> <p>3. The GEF operational strategy indicates that "the clarification of arrears in contribution to the Multilateral Fund (MLF) must be</p>
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			<p>included in the request for assistance (GEF/C.6/3, paragraph 5.13). Kindly note that this is especially the case for Azerbaijan, as the country has not yet paid its contributions to the MLF for 2013 (US \$25,514), increasing its outstanding contributions to US \$633,180 since the country became a Party to the Montreal Protocol (see UNEP/OzL.Pro/ExCom/71/3, Annex I, Table 3). Please note that a clarification of the arrears in contributions to the MLF has not been addressed in the HPMP proposal.</p> <p>Please clarify the above.</p> <p>Nov 13 2014 - Comments cleared.</p>
	11. Does the proposal clearly articulate how the capacities developed will contribute to the institutional sustainability of project outcomes?	<p>No. There is an indication that since the implementation of the previous CFC project that capacity has since be significantly reduced. There is no description of why this happened and how this project will contribute to the long term sustainability of HCFC phase out.</p> <p>28/12/2011 - Comment addressed - Cleared</p>	Yes
Project Design	12. Is (are) the baseline project(s) sufficiently described and based on sound data and assumptions?	<p>There is no baseline project described. The section in the PIF has only information on the entire GEF project. Further comments on the baseline are to be found in the PIF recommendation section. Please address.</p> <p>28/12/2011 - Comment not addressed satisfactorily, see comments in section 30.</p>	Yes
	13. Is (are) the problem(s) that the baseline project(s) seek/s to address sufficiently described and based on sound data and assumptions?		Yes
	14. Is the project framework sound and sufficiently clear?	No. Please refer to Technical Comments in Question 30 below.	1. In funding projects for ODS the GEF follows the norms of the Executive Committee. In this regard, under the

		<p>28/12/2011 - The project has been realigned and is consistent with other HCFC phase out management plans.</p>	<p>MLF guidelines, project preparatory funding is also used to ensure that an operational licensing/quota system is in place prior to the approval of the HPMP (i.e., this is a prerequisite to request funding for HPMP implementation). While PPG was not provided for this project, the Agency should have confirmed the status of the licensing system, however, page 8 of the proposal indicates that the HCFC licensing system may not be operational. Please note that since the 63rd meeting of the Executive Committee the submission of an HPMP (or a funding tranche request) from an Article 5 country requires confirmation from the relevant 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 (63/17). For the purposes of the GEF this applies equally to countries with economies in transition.</p> <p>2. The following additional clarifications on the regulatory framework would need to be requested:</p> <p>(a) Does the licensing/quota system for HCFCs and HCFC-based blends also apply to HCFC-based refrigeration equipment?</p> <p>(b) Does the tax on ODS imports and the ban on import of ODS-based equipment funded as part of the Country Programme approved by the GEF include HCFCs (as HCFC is an ODS for which a freeze was required in the year of the submission of the project which it appears to have been in 1996)? and</p> <p>(c) Why control measures including the licensing/quota system worked for</p>
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			CFCs but not for HCFCs, what would be required to ensure an effective quota system for HCFCs. Nov 13, 2014 - Comments cleared
	15. Are the incremental (in the case of GEF TF) or additional (in the case of LDCF/SCCF) activities complementary and appropriate to further address the identified problem?	Cannot access in the absence of a baseline project.	Pending clarifications to questions raised in point 10 above Nov 13, 2014 - Comments cleared
	16. Are the applied methodology and assumptions for the description of the global environmental benefits/adaptation benefits sound and appropriate?	Not Clear. Please provide additional data requested in question 30 below. 28/12/2011 - See comments in 30 below Feb 13, 2012 - Comments addressed - cleared	Pending clarifications to questions raised in point 10 above Nov 13, 2014 - Comments cleared.
	17. Has the cost-effectiveness sufficiently been demonstrated, including the cost-effectiveness of the project design approach as compared to alternative approaches to achieve similar benefits?	Yes, on the understanding that this project will result in a complete phase out of HCFC in Azerbaijan.	Please clarify the following: HCFC baseline and eligible level of funding 1. Under existing MLF guidelines, Azerbaijan could receive funding to phase-out up to 14.9 ODP tonnes. Taking into consideration that by the time of decision XIX/6 of the Meeting of the Parties Azerbaijan had already have phased-out 35 per cent of the baseline, the remaining 65 per cent (i.e., 9.7 ODP tonnes) seems to be the eligible consumption for funding. However, based on current consumption, it would appear that Azerbaijan would only require funding to phase-out 3.5 ODP tonnes (plus the phase out of HCFC-141b contained in imported pre-blended polyols). 2. Notwithstanding the above issues related to the baseline for compliance and the eligible level of HCFC consumption for funding, the review below is based on the consumption indicated in Table 2. Based on these figures, Azerbaijan

			<p>would only need to phase out 9.99 ODP tonnes of HCFC-22, as the remaining consumption is HCFC 141b which has been historically contained in imported pre-blended polyols and, therefore, not reported as consumption under Article 7 of the Protocol.</p> <p>3. Section A.3 (Proposal) indicates that there would be in-depth surveys of HCFC consumption; however, the funding approved for the preparation of the HPMP should have included those surveys. This raises an issue on whether the HCFC consumption data in the HPMP is reliable, or further preparatory work and changes in consumption are expected.</p> <p>4. The overall consumption of HCFC-22 in the servicing sector is very low, considering that the climatic conditions and size of the population would be associated with a large number of residential and larger air-conditioning systems in operation, as well as the oil and gas industry where several HCFC-22-based equipment would be installed for certain processing needs. This equipment would cause substantial servicing needs; however, no bottom-up assessment was provided in the project document (please note, that the MLF Secretariat would have requested such an assessment as a precondition for assessing the HPMP and providing a recommendation to the Executive Committee).</p> <p>5. There seems to be an inconsistency in the information provided on HCFC-141b. While in page 7 it is indicated that consumption of HCFC-141b is contained entirely in imported pre-blended polyols, page 12 indicates that few large foam companies operate three component systems in the production of commercial refrigeration equipment and insulation panels.</p>
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			<p>Therefore, there should be a portion of HCFC-141b that these enterprises are importing in bulk (pure), and that should be reported under Article 7. This would need a further clarification.</p> <p>Foams sector</p> <p>6. As Azerbaijan has historically not included imports of HCFC-141b contained in pre-blended polyols as part of the Article 7 data, the 8.96 ODP tonnes of HCFC-141b used in the foams sector are not part of the consumption and are not related to compliance. However, funding can be approved for the phase out HCFC-141b contained in imported pre-blended polyols based on the average consumption by eligible enterprises between 2007 and 2009 (decisions 61/47 and 63/15).</p> <p>7. Please note that in order to review and assess eligibility of any project proposal under the MLF guidelines, the following information per enterprise should be included:</p> <p>a. Name, location and local-ownership (i.e., only the Article 5 portion of the ownership of an enterprise is eligible for funding);</p> <p>b. Year of establishment, year of installation of the production lines using HCFCs and date of installation of the major pieces of equipment (e.g., foam dispensers) that should be earlier than the cut-off date of 21 September 2007 (decision 60/44 (a));</p> <p>c. Average consumption of HCFC-141b contained in imported pre-blended polyols between 2007 and 2009 for foam enterprises using these polyols;</p> <p>d. Equipment baseline (MLF funding would only cover incremental cost based on existing equipment that needs to be replaced, modified or added to operate with HCFC-free</p>
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			<p>technology); and</p> <p>e. Second stage conversion analysis: The proposal should indicate if any enterprise had already received funding (e.g., by the GEF) to convert from CFC-11 to HCFC-141b. The criteria of funding for second stage conversions for Article 5 countries is established in decisions 60/44(b) and 62/16 (MLF only covers funding for installation, trials, and training unless it is clearly demonstrated that the project is necessary to comply with the Protocol control targets up to and including the 35 per cent reduction step by 1 January 2020 and/or are the most cost-effective projects measured in ODP tonnes that the Party concerned can undertake in the manufacturing sector in order to comply with these targets).</p> <p>8. In the absence of the consumption breakdown and baseline equipment per enterprise it is difficult to have a comprehensive assessment of the incremental cost and the choice of technology. However, based on the total consumption for the sector (8.96 ODP tonnes) and the technology choices, a broad calculation of the costs for the complete sector would be US \$570,000 (at an average cost effectiveness of US\$7/kg, noting that enterprises will introduce pentane or methyl formate, and the technical assistance component to SMEs).</p> <p>9. Prices of equipment items in Annex F of the Proposal seem in general reasonable, although there are several clarifications that are needed (e.g., on the commercial refrigeration table it is not clear if one or two HP foam machines are being requested; the unitary price of US \$2,500 for a gas sensor seems high; buffer tanks for polyols may not need to be changed; cost of conversion of block foam</p>
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			<p>enterprises appears high compared to the cost of conversion of other block foams enterprises to pentane (US \$146,000).</p> <p>10. It could be assumed that most of the enterprises uses very low amounts of HCFC-141b, i.e., 6.3 mt on average. Based on this level of use, it would be extremely expensive to convert to pentane technology given the high safety cost. Furthermore, it would also have to be assessed if the enterprises have the infrastructure and capability to operate with flammable substances, and if local regulations would allow for the introduction of a flammable technology.</p> <p>11. The Proposal includes conversion of eligible systems houses. However, HCFC-141b is entirely contained in pre-blended polyols which have never been recorded by the customs service. Therefore, it appears unlikely that there are systems houses in Azerbaijan importing pure HCFC-141b to blend with polyols in situ. There may be importers/distributors of chemicals including pre-blended polyols containing HCFC-141b, but they would not require any conversion as they are not blending the polyols with the HCFC-141b. On this basis, the funding request for systems houses is ineligible. Please note that eligibility and baseline information should be provided per enterprise, including their imports of pure HCFC-141b.</p> <p>12. Please also note that the systems house Resichem included in the budget in page 43 is located in South Africa. It is unclear if this is a beneficiary enterprise in Azerbaijan or a co-financer. In the same budget, the second column refers to MFS funding. Refrigeration manufacturing and servicing sector</p>
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			<p>13. The proposed phase-out in the refrigeration and air conditioning sector follows a two-pronged approach: equipment manufacturers will be converted to alternative technologies at the same time when import of HCFC-22 based equipment will be restricted, and the servicing sector will received support to reduce the emissions of HCFC 22 in existing equipment. The strategies in the servicing sector and the manufacturing sector for refrigeration sector are not harmonized. The refrigeration manufacturing sector foresees a number of conversions to HC technology as indicated in Annex E. According to this table, the commercial refrigeration units have currently a charge between 3.2 and 4.2 kg of HCFC-22, while the cold stores have a charge of 8 kg of HCFC-22. Broadly, the HC charge of converted units without major technological intervention should be in the order of 50 per cent of the charge of HCFC-22, which would bring the refrigerant charge to 1.6 kg to 2.2 of HC. Without substantial intervention through the introduction of new technology development, conversion to HC technology will not be possible for this equipment as the refrigerant charge should be below 1.0 kg, i.e., the maximum acceptable charge for HC equipment in commercial refrigeration in countries where this equipment is allowed.</p> <p>14. Furthermore, from the limited information provided in the Proposal it is assumed that cold stores are assembled at the customers' premises and connected to an outdoor compressor/condenser unit and an indoor evaporator, and using pre-fabricated insulation panels. These enterprises are categorized as assemblers rather than manufacturers</p>
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			<p>(in the case of an assembler, components are purchased based on the refrigerant being selected, with very limited technical input, and limited investment except for (possibly) charging equipment and vacuum pumps). Furthermore, refrigerant leak checking would have to be undertaken on the premises where the equipment is installed (with typically long refrigerant lines through pre-built ducts in existing buildings). Under these circumstances, the refrigerant for cold stores should be an HFC-based refrigerant (rather than HC) simply because within the scope of the Proposal there is no alternative technology currently available which could be introduced at a reasonable price in the local market (noting also, that Azerbaijan is neighbouring a number of Article 5 countries). Moreover, the introduction of HC-based refrigerant systems with relative large charge of refrigerant would require inter alia the introduction of standards, regulations, code of good practice, certification of technicians which appear not to be in place.</p> <p>15. In general, the cost for the conversion of a manufacturing operation to HC provided in the Proposal appears reasonable, although some items are higher than similar ones funded by the MLF, on the assumption that new equipment is actually needed. From the information provided, it is, however, unclear how many enterprises will actually be converted, and whether any analysis has been undertaken to determine their baseline equipment and to what degree it could be retrofitted/used instead of providing new equipment. The overall cost proposed per conversion was assessed on the assumption that these enterprises are actually manufacturing refrigeration</p>
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			<p>equipment, i.e., that they assemble the equipment at their premises, charge it and test it in particular for leak tightness. Because of the lack of baseline information for the companies, and the apparent substantial amount of assembly undertaken by them, this assumption might be incorrect.</p> <p>16. In case the manufacturing industry converts (part or all of their production) to HC technology for refrigeration, a number of pre-conditions would have to be fulfilled to allow for the sustained introduction of the technology into the market, inter alia:</p> <ul style="list-style-type: none"> a. The availability of national regulation of standards covering production, storage, transport and use of refrigeration equipment for commercial refrigeration purposes using HCs, and enforcement of such regulation; b. Standards for the servicing of HC-based equipment in the field; c. Training of refrigeration technicians in HC technology to ensure that the equipment in the field is always adequately serviced; and d. A targeted labelling policy to ensure that all HC-based equipment is clearly identified by users and technicians. <p>17. The project can be implemented by converting to HC technology for those enterprises that are manufacturing commercial refrigeration equipment containing a compressor and condenser as part of the equipment (self-contained or plug-in units); the remaining enterprises should be converted possibly to an HFC-technology. It might not be necessary to fund the conversion to HFC-technology, since properly selected equipment suitable for HC technology should also be able to deal with HFC equipment. In</p>
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			<p>this case, the manufacturing conversion should allow for a larger technology transfer and engineering redesign, while the service sector should be amended to incorporate additional components for, inter alia, establishing standards, regulations, codes of good practices and training/certification of technicians to allow for the introduction of HC technology (standard setting and training would have to be completed well in advance of the introduction of HC-based equipment). These efforts are largely additional to the concept in the Proposal. In case that the technology selected is based on HFC-refrigerant, the cost for the manufacturers will be substantially reduced (the level of the funding dependant on the existing baseline equipment of the enterprises).</p> <p>18. Based on decision 60/44 (f) (xii), for an Article 5 country with a consumption of HCFC-22 in the servicing sector similar to that in Azerbaijan, the country would be eligible to US \$945,250 for the complete phase-out. Alternatively, for non-LVCs Article 5 countries, the eligible funding for servicing sector is calculated based on the maximum cost-effectiveness level for the sector of US \$4.5 per kg (i.e., a total of US \$604,710).</p> <p>19. It might be possible to explore whether there are stakeholders in the HC industry in Azerbaijan which would like to manufacture HC-based refrigerant for the local and regional markets (kindly note that this approach has been approved in an HPMP submitted by one Article 5 country).</p> <p>Nov 13, 2014 - Yes, on the understanding that this project will result in a complete phase out of HCFC in Azerbaijan.</p>
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	18. Is there a clear description of the socio-economic benefits to be delivered by the project and of how they will support the achievement of environmental/ adaptation benefits (for SCCF/LDCF)?	Yes	Yes
	19. Is the role of civil society, including indigenous people and gender issues being taken into consideration and addressed appropriately?	Yes	Yes
	20. Does the project take into account potential major risks, including the consequences of climate change and provides sufficient risk mitigation measures? (i.e., climate resilience)	Yes	Pending clarifications to questions raised in point 10 above Nov 13, 2014 - Comments cleared
	21. Is the provided documentation consistent?		Additional documentation is required based on comments above. Nov 13, 2014 - Comments cleared
	22. Are key stakeholders (government, local authorities, private sector, CSOs, communities) and their respective roles and involvement in the project identified?		Yes
	23. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	Please provide a clearer explanation of how this project will be coordinated with the HCFC Phase Out Activities in the region. Feb 13, 2012 - Comment Addressed - Cleared	Yes
	24. Is the project implementation/ execution arrangement adequate?	Please provide more detail on how the project management will be conducted at the National Level. Feb 13, 2012 - Comments addressed - cleared	Yes
	25. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		Yes

	26. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		N/A
Project Financing	27. Is the GEF/LDCF/SCCF funding level for project management cost appropriate?	Yes	Yes
	28. Is the GEF/LDCF/SCCF funding per objective appropriate to achieve the expected outcomes and outputs according to the incremental/additional cost reasoning principle?	<p>Please clarify the following:</p> <p>If a maximum cost effectiveness ratio of 9.79\$/kg for the foam sector is assumed then the maximum for the amount of consumption in this sector should not exceed \$900,000. Please clarify why 2 M is being requested for this sector.</p> <p>The inclusion of the additional funding for an already converted facility is not eligible for additional GEF resources.</p> <p>28/12/2011 - Comments addressed - cleared</p>	<p>Please see comments in 17 above.</p> <p>Nov 13, 2014 - Comments cleared</p>
	29. Comment on indicated cofinancing at PIF. At CEO endorsement, indicate if cofinancing is confirmed.	<p>The majority of the co-financing is in-kind - please clarify what the in-kind contribution will cover.</p> <p>the level of the co-financing should be increased.</p> <p>Feb 13, 2012 - Comment cleared</p>	Yes
	30. Is the budget (GEF/LDCF/SCCF funding and co-financing) per objective adequate to achieve the expected outcomes and outputs?		<p>Pending clarifications on questions raised above</p> <p>Nov 13, 2014 - Yes - comments cleared</p>
	31. Has the Tracking Tool been included with information for all relevant indicators, as applicable?		N/A
Project Monitoring and Evaluation	32. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		Yes
Agency Responses	33. Has the Agency responded adequately to comments from:		
	• STAP?	None Received	Yes
	• Convention Secretariat?	None Received	

	<ul style="list-style-type: none"> Council comments? 		The Governments of Canada and the United States of America provided comments at the PIF approval stage. These comments have been sufficiently addressed in the development of the CEO endorsement.
	<ul style="list-style-type: none"> Other GEF Agencies? 	None Received	
Secretariat Recommendation			
Recommendation at PIF Stage	34. Is PIF clearance/approval being recommended?	<p>Pending responses to the review sheet.</p> <p>Technical Comments:</p> <p>1. There is no clear picture of the consumption patterns and trends. Please provide a table showing the estimated consumption trends per sector and separated by substance.</p> <p>28/12/2011 - The table provided clarifies the consumption of HCFC. Comment Cleared</p> <p>2. There is a general decreasing trend in the Article 5 data on the Ozone Secretariat's website, yet the PIF indicates that there is an increase in consumption. Please clarify. Please also provide the data being used to make the statement that there is an increase in the consumption of HCFC based equipment.</p> <p>28/12/2011 - Comment on consumption of substances cleared. Please address second part of the comment on the increase in equipment.</p> <p>3. Will the reduction of 141b consumption in the foam enterprises be a result of reduction of consumption of pure 141b or pre-blended polyols only? If it is to reduce the consumption from pre-blended polyols has this consumption been reported to the Ozone Secretariat? Will there be a specific commitment to completely phase out this sector?</p>	

		<p>28/12/2011 - In light of the non-reporting to the Ozone Secretariat, before CEO endorsement, the data report must be made to the ozone secretariat. Comment Cleared</p> <p>4. Section B 1 should describe the baseline project, which is the project that would be done to meet the national objectives of the country. In the PIF the description provided is for the entire project. The cost of the baseline project should correspond the co-financing. This section needs to be urgently addressed.</p> <p>28/12/2011 - The baseline project, that is what the country is doing to address ODS at the national level has not been sufficiently described. The baseline situation is not the baseline project.</p> <p>5. Component 1(b), Please elaborate on the need for these identifiers. Is there a need above those already existing, and if so why? How many are planned?</p> <p>28/12/2011 - Comment Cleared.</p> <p>6. Section B2 needs to describe the activities incremental to the baseline project. This would be the activities for which the GEF grant would fund. The description provided does not do this. Please address.</p> <p>28/12/2011 - Requires further elaboration pending updated description of the baseline project.</p> <p>7. For the completion of the conversion of the enterprise manufacturing domestic refrigerators and freezers, please clarify a) why the conversion was never completed, b) if</p>	
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	<p>after 10 yrs the equipment can still be used. If there is no consumption from this plant then the funding being requested is not for compliance and this activity is therefore not eligible for further funding.</p> <p>28/12/2011 - Component removed. Comment Cleared</p> <p>8. Component 2.5 and component 3 could be combined and funds from both ODS and CCM can be used to improve this component to achieve the desired outcome of manufacturing with zero ODP and low GWP substances and additionally have energy efficiency gains.</p> <p>28/12/2011 - cleared</p> <p>9. Is the licensing system operating for HCFC?</p> <p>28/12/2011 - How will this be addressed in the project and how will trade in HCFC be controlled?</p> <p>10. Please provide a comment on what type of technology is being considered for the SME foam operators.</p> <p>28/12/2011 - Comment cleared</p> <p>11. What substance is used in the manufacture of the refrigerator/freezer panels?</p> <p>28/12/2011 - Comment Cleared</p> <p>12. Please provide some information on the servicing sector. It is not clear if this sector is being addressed by this project. If there are no plans to address this sector please indicate why.</p> <p>28/12/2011 - The project has been adjusted to include the servicing sector.</p>	
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		<p>Comment cleared.</p> <p>13. The GEF 5 chemicals strategy allows for ODS disposal demonstrations. Some consideration should be given within the scope of this project for including treatment at the end of life of phase-out equipment and substances.</p> <p>28/12/2011 - Cleared</p> <p>14. Please clarify what is planned for the "gray" zone of the economy. Are these legal companies? If not the GEF will not provide funding for these companies.</p> <p>28/12/2011 - Cleared</p> <p>15. The Energy Efficiency components should be taken from the STAR allocation.</p> <p>28/12/2011 - Cleared</p> <p>Finance Comments:</p> <p>1. In Table A, the amounts for Outcome 2.1 and 2.2 looks mixed up. Please clarify.</p> <p>2. In reference to comment 6 above, how would the budget change?</p> <p>3. If we assume a maximum CE of 9.79USD/Kg for the foam sector, the estimated amount this phase out should cost would be no more than USD 900,000. Please clearly explain how the amounts in the PIF are being calculated.</p> <p>Comment 3 - 28/12/2011 - cleared</p> <p>28/12/2011 - Finance comments 1 and 2 not addressed</p>	
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		28/12/2011 - Comments pending before a recommendation can be made. Feb 13, 2012 - All comments satisfactorily addressed - Project is being recommended for CEO clearance.	
	35. Items to consider at CEO endorsement/approval.	Consumption Pattern of HCFC Type of technology being used Cost Effectiveness Data Reporting to the Ozone Secretariat on the consumption of HCFC in pre-blended polyols.	
Recommendation at CEO Endorsement/ Approval	36. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG?		Yes
	37. Is CEO endorsement/approval being recommended?		<p>Pending clarification of issues raised above and the following additional questions:</p> <p>Sustainability of phase-out activities</p> <p>1. One particular challenge of Azerbaijan is to have a non-Article 5 country HCFC phase-out schedule, while in three bordering Article 5 countries HCFCs and HCFC-based products will be available for a prolonged period of time. This could have repercussions on the mid-long term sustainability of the phase-out. Another major challenge is the non-sustainability of the CFC phase-out efforts under the previous project as described in the Proposal, and the dissipation of efforts invested into capacity building once CFCs were phased out. As a result, the project proposal from the onset assumes that the capacity and enforcement ability built under the project will dissipate after HCFCs are being phased out (e.g., around 2020). These two challenges are the basis for substantial concerns related to the strategic approach of the project, since they seem not to have</p>

			<p>been taken into account sufficiently.</p> <p>2. Given that the sustainability of CFC phase-out has been an issue after the funds were exhausted, it is expected that this project would focus on establishing mechanisms to self-sustain the activities required for the phase-out, such as integrating best practice training for customs officers and technicians into the curriculum of professional training institutes; establishing a self-sustained technicians' certification scheme supported by regulation; introducing commercial mechanisms for refrigerant recovery, recycling and reclamation; adopting regulations and standards to allow the introduction and safe operation of low-GWP (hydrocarbon, HC) technologies; adopting regulations banning import of HCFCs (including HCFC-141b contained in pre-blended polyols and pure, or HCFC-based equipment) and new manufacturing capacity using HCFCs; establishing a monitoring mechanism for converted enterprises; and strengthening the institutions in charge for enforcing these controls. Given previous experience, the risk of non-sustainability would also be expected to be addressed in the risk matrix.</p> <p>3. Given that Azerbaijan is bordered by three Article 5 countries, the Proposal should provide substantially more efforts to achieve institutionalization enforcement on a continued long-term monitoring, regulation and enforcement. The project proposal does not sufficiently address these relevant issues and should be thoroughly discussed and addressed by key stakeholders.</p>
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			<p>Nov 13, 2014</p> <p>The CEO endorsement is being recommended on the understanding of the following:</p> <ol style="list-style-type: none"> 1. This project will achieve a complete phase out of HCFC and no additional funds will be requested in the future for HCFCs. 2. The Government of Azerbaijan will accurately report its HCFC consumption and retroactively correct its data for 2007-2011 3. To as much as possible adopt non-HFC alternative technologies
Review Date (s)	First review*	August 29, 2011	November 26, 2013
	Additional review (as necessary)	December 28, 2011	November 13, 2014
	Additional review (as necessary)	February 13, 2012	

* This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments.

REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	Yes, however please seek to improve the co-financing ratio.
	2. Is itemized budget justified?	<p>In Annex A of the PPG, there is a mention of doing random visits to foam enterprises. This will not give reliable data, please clarify the approach on collecting baseline data.</p> <p>Please Clarify the roles of the International Consultants and the Local Consultants in terms of technical inputs into the projects. We would appreciate a clear list of activities that each consultant will be undertaking, approximate mission days, work at home days, days writing etc.</p> <p>Please clarify why the survey and the baseline analysis is mostly funded from the GEF.</p>
Secretariat Recommendation	3. Is PPG approval being recommended?	<p>Pending clarification of the PIF and the PPG reviews.</p> <p>Feb 13, 2012 - PPG can now be recommended.</p>
	4. Other comments	
Review Date (s)	First review*	August 29, 2011
	Additional review (as necessary)	February 13, 2012

* This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments.