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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
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**TERMS OF REFERENCE FOR THE EVALUATION OF MULTI-YEAR  
AGREEMENT PROJECTS (SECOND PHASE)**

## **Background and justification**

1. At its 63<sup>rd</sup> meeting the Executive Committee approved an evaluation on multi-year agreement (MYA) projects (decision 63/11). The first phase of the evaluation, a desk study, was presented at the 65<sup>th</sup> meeting. The study examined projects from a sample of 32 countries, reached conclusions and made recommendations keeping in mind the utility of findings on the implementation of HCFC phase-out management plans (HPMPs). The study focused, *inter alia*, on the effectiveness of the funded programmes as compared with stand-alone projects, the contribution of national and international institutions in Article 5 countries, factors affecting compliance and on implementation issues. The study examined how the experience in the approval, management and implementation of the completed or ongoing MYAs would be beneficial for the implementation and management of approved and future HPMPs. Therefore the report includes lessons learned and issues of interest for the HCFC phase-out.

2. The study also made a series of recommendations for further issues to be addressed during the second stage of the evaluation. In addition, members of the Executive Committee, bilateral and implementing agencies made comments and suggested additional issues to be addressed. These are taken into account in the preparation of the terms of reference.

3. Phase II of the evaluation will undertake a more detailed investigation at the field level. The key questions for this second phase will focus on the implementation of MYAs and on the sustainability of their results with regard to HPMPs. This phase will consist of a number of case studies, based on information collected at the country level. It will clarify the assumptions made by the desk study about the functioning of the MYA modality. Information collected during field visits and findings from the desk study will be analyzed in a final report for consideration by the Executive Committee.

## **Scope and issues raised during discussions**

4. The desk study prepared a list of low-volume-consuming (LVC) countries and non-LVC countries to be included in the sample for the case studies. Nevertheless, comments following the draft report suggested several avenues:

- (a) Since LVC countries had already been evaluated in the evaluation of terminal phase-out management plans (TPMPs) conducted in 2008, the current evaluation should focus on non-LVC countries only;
- (b) If both LVC and non-LVC countries are included in the sample of countries to be visited, as initially suggested, it would be important to explain how the evaluation would provide additional findings or cover new issues associated with LVC countries, in light of the relatively recent evaluation conducted.

## **Justification of the inclusion of LVC countries in the sample of countries to be considered as case studies**

5. The inclusion of LVC countries is important since these Article 5 countries represent the majority in the ongoing Multilateral Fund HCFC phase-out programmes.

6. The report on the role and the effects of TPMPs in LVC countries (UNEP/OzL.Pro/ExCom/58/8) covered a sample of eight LVC countries (Croatia, Ecuador, Mauritius, Namibia, Papua New Guinea, Paraguay, the Republic of Moldova, Trinidad and Tobago). By the time of the field work (from December 2008 to May 2009) TPMPs in these countries had not been finalized. Therefore, the findings presented to the 58<sup>th</sup> meeting of the Executive Committee had a preliminary nature.

7. The report pointed out several issues relevant to HCFC phase-out:
- (a) The need for adjustments of ODS-related legislation to include provisions that would be equally important for HCFC phase-out;
  - (b) Non-existence of accurate information regarding the use of recovery and recycling (R & R) equipment procured and refrigerants recovered and recycled;
  - (c) The economic viability of R & R equipment and especially reclamation activities was not ensured given decreasing demand for CFCs on the market;
  - (d) The use of existing R & R equipment for the phase-out of HCFCs was not established;
  - (e) Incentive schemes for converting CFC-based refrigeration equipment to alternative substances have produced differing results in the countries visited since the individual country case studies did not provide comparable data on prices and price developments over time of CFCs and alternative refrigerants; and
  - (f) Enforcement of the legal framework needed certain improvements.
8. Members of the Executive Committee pointed out that some of the questions raised had remained unanswered in the final evaluation report, for example, how to improve reporting on R & R centres because existing data were contradictory. Another question dealt with equipment installed through the Multilateral Fund to phase out CFCs, which could be used to phase out HCFCs. The final evaluation report confirmed that such installed equipment capacity should be used to phase out HCFCs, but gave no indication of how to do so.
9. Furthermore, the need for information on the reclamation centres' technical feasibility and economic viability was considered paramount. It was also suggested that it might be useful to develop a set of criteria that could be used by countries to prove technical feasibility and economic viability before proposing such centres under TPMP tranches, or as part of HPMPs. One member suggested that consideration be given to developing such criteria should reclamation centres be found to be truly relevant to HPMPs. It was also proposed that the technical feasibility and economic viability of any recycling centres included in HPMPs be similarly demonstrated. Subsequently, the Executive Committee adopted decision 58/6.
10. The recent desk study revealed that many issues covered in the above discussion and incorporated in decision 58/6 need to be further evaluated.

### **Methodology**

11. A team of consultants will travel to the countries selected in the sample and will examine the issues suggested within this frame of reference. They will provide a systematic way of looking at implementation by collecting data, analyzing information, and reporting the results. Information can be both qualitative and quantitative. The consultants will interview the national ozone officers, representatives of industries, government officials, bilateral and implementing agencies and other stakeholders.

### **Expected output**

12. The expected output is two-fold. The consultants will provide a case study report for each country visited. The information and conclusions summarized in these reports, together with the information presented in the desk study will help draft the final evaluation report. The report will include recommendations and lessons learned that will help the implementation of HPMPs.

13. In addition, various comments pointed out additional issues that may deserve further attention or would be interesting to include in the evaluation report. These do not necessarily need field visits but may, however, benefit from information collected during field work. This analysis will be part of the final report and will refer to:

- (a) A succinct history of the evolution of MYAs, from the initial refrigerant management plan to the more elaborated present form;
- (b) An assessment of the direct contribution to the ODS phase-out achieved of all key MYA activities (i.e. including R & R and training, and when applicable, investment projects); and
- (c) An assessment of MYA components in terms of cost and ODS phase-out.

### Evaluation issues

14. Following is a table summarizing the issues to be addressed in the case studies:

<b>ISSUES RECOMMENDED TO BE ADDRESSED IN THE CASE STUDIES</b>	
<b>1.</b>	<b>Compliance-related</b>
	<ul style="list-style-type: none"> <li>• What is the contribution of MYAs to compliance? Could the decreasing ratio of non-compliance be associated with more countries adopting legislation, with the increased awareness of the Montreal Protocol obligations among governments?</li> <li>• Experience seems to indicate that the first compliance target, which is usually the freeze on consumption and production of ODS, presents a bigger challenge to countries than the subsequent compliance targets. This could be due to an inadequate level of readiness of countries to face their initial compliance obligations.</li> <li>• Non-compliance could also be indicative of inadequate cooperation between the National Ozone Units (NOUs) and CFC-producing companies in these countries.</li> </ul>
<b>2.</b>	<b>Funding-related</b>
	<ul style="list-style-type: none"> <li>• Examine the extent to which some MYAs were funded, and whether the level of funds available resulted in activities originally not envisaged being undertaken (e.g. China foam and solvent sector plans, Brazil MYAs, Indonesia).</li> </ul>
<b>3.</b>	<b>Training of refrigeration technicians – Recovery, recycling and reclamation activities</b>
	<ul style="list-style-type: none"> <li>• Training programmes on good practices, including handling of HCFCs and alternative refrigerants are included in most approved HPMPs. It is essential to understand how achievements in the implementation of MYA training programmes can be utilized to reduce HCFC emissions under the HPMPs. The evaluation team may examine how availability and skills of trained technicians in Article 5 countries contributed to CFC phase-out and would contribute to the achievement of HPMP objectives. The status of existing recovery, recycling and reclamation facilities including monitoring of recovered and recycled material. The assessment of the direct contribution of R &amp; R systems to the phase-out of CFCs.</li> </ul>
<b>4.</b>	<b>Incentive schemes and subsidies</b>
	<ul style="list-style-type: none"> <li>• The implementation of retrofit and the replacement of end-user equipment using incentive schemes is still going on in some countries. The completed projects contributed to achieving ODS phase-out targets, expanded the lifetime of refrigeration equipment and helped in coping with shortages in CFC-12 supply. However, the application of HCFC-22 and ternary blends containing HCFCs in retrofitting programmes was not sustainable under the new HCFC phase-out regulations. Therefore, the forthcoming evaluation should assess the effectiveness of incentive schemes as a potential mechanism for HCFC phase-out under HPMPs.</li> </ul>

<b>ISSUES RECOMMENDED TO BE ADDRESSED IN THE CASE STUDIES</b>	
<b>5.</b>	<b>NOUs versus Project Management Units (ownership, sense of responsibility)</b>
	<ul style="list-style-type: none"> <li>• Taking into consideration the longer compliance schedule of the HCFC phase-out as well as the need to further enhance the sense of ownership of the governments in the interest of sustainability, the evaluation should examine the current double track funding of capacity building under institutional strengthening projects and as part of MYAs; its implications on encouraging early phase-out; and sustaining the results of the Montreal Protocol till the completion of the HCFC phase-out and beyond.</li> </ul>
<b>6.</b>	<b>Licences and quotas, financial incentives and policy enforcement measures</b>
	<ul style="list-style-type: none"> <li>• An issue to be investigated is the significant discrepancy between country programme data and verification reports in reporting legislation. In addition, the evaluation should examine the reasons for delays in introducing licensing systems.</li> <li>• Why in some countries (Bahamas, Bosnia and Herzegovina, Kenya and the Bolivarian Republic of Venezuela) licensing and permit systems were established late, e.g. two to five years following the signing of MYAs? How effective were the regulations banning import and sales of bulk quantities of controlled substances; how they helped reduce the consumption of these substances; and what additional enforcement measures are required to ensure the implementation of these regulations?</li> </ul>
<b>7.</b>	<b>Import regulation measures</b>
	<ul style="list-style-type: none"> <li>• <b>Average price of CFCs and their alternatives:</b> Regulations on imports, exports and sales of bulk ODS regulations resulted in reduced availability of controlled substances and subsequently in the rise of their prices encouraging the switch to alternatives. The evaluation team should examine the possibility of government-induced measures to change price relations that may lead to a decrease in the price difference between CFC-12 and HFC-134a and a decline in demand for CFCs.</li> <li>• <b>Measures regulating import and sale of equipment containing ODS:</b> The adoption of regulations banning imports and sales of used refrigeration equipment in a number of Article 5 countries had a positive effect in achieving CFC phase-out targets in the refrigeration servicing sector in these countries and will have a similar impact on HCFC-based refrigerants. The MYA evaluation should examine the experience of early adoption of such regulations (examples: Thailand – 1997; Croatia – 1999; Brazil – 2000) as well as the reasons for which it has not been adopted yet in Argentina, Costa Rica, Mexico and Pakistan.</li> </ul>
<b>8.</b>	<b>Regulation on illegal trade</b>
	<ul style="list-style-type: none"> <li>• The evaluation should investigate the cooperation between customs and other agencies as well as the existing enforcement and deterrence systems.</li> </ul>
<b>9.</b>	<b>Coordination among various parties</b>
	<ul style="list-style-type: none"> <li>• Delays in signing grant agreements and project documents by Article 5 governments may warrant corrections in implementation programmes and adjustments in funds allocated for project implementation and monitoring units. The evaluation team may discuss with various stakeholders the flexibility clause in the standard agreement.</li> <li>• Appendix 6-B: Role of cooperating implementing agencies does not fully reflect the distribution of responsibilities among cooperating agencies. The evaluation team might discuss with implementing agencies the ways to improve the situation.</li> <li>• The evaluation should also examine on whether the internal procedures of implementing agencies as well as the requirements for some institutional arrangements could be too complex for recipient countries and can cause delays.</li> </ul>

<b>ISSUES RECOMMENDED TO BE ADDRESSED IN THE CASE STUDIES</b>	
<b>10.</b>	<b>Regulatory procedures for ODS data collection and reporting</b>
	<ul style="list-style-type: none"> <li>• MYA evaluation needs to investigate the reasons for the absence of regulatory procedures for ODS data collection and reporting in Indonesia and Mexico, and obtain definitive information from Burkina Faso and Ecuador. It is necessary to establish whether regulatory procedures for data collection and reporting monitor the functioning of the licensing system, including the incidence of infractions, seizures and penalties and the quantities of imported and seized goods.</li> </ul>
<b>11.</b>	<b>Monitoring, reporting, and quality of data</b>
	<ul style="list-style-type: none"> <li>• Monitoring and reporting system arrangements could be complex and expensive in some high volume consuming countries because of the many players involved. The evaluation team might investigate the ways and means of rationalizing such systems.</li> <li>• It is worth noting that that under TPMPs, up to 20 per cent of the budget was supposed to be used for monitoring and reporting. If TPMPs are included in the evaluation, it would be useful to confirm the extent to which this was applied and whether it has allowed meaningful, timely and comprehensive monitoring and reporting or not.</li> </ul>
<b>12.</b>	<b>Communication and awareness-raising issues</b>
	<ul style="list-style-type: none"> <li>• The smooth implementation of HPMPs will depend on the active involvement of top government officials and industry representatives. The evaluation team should discuss with UNEP and other implementing agencies, NOUs and government representatives, elements of communication and awareness strategies that would facilitate timely HCFC phase-out.</li> </ul>

### Sample of countries

15. The Executive Committee may wish to decide whether the evaluation should focus on non-LVC countries or on both LVC and non-LVC countries. Two samples of countries have been prepared respectively, with regard to each type of evaluation, issues stressed by the desk study and regional distribution. The sample of countries is presented in the table below.

<b>Non-LVC countries</b>	<b>LVC and non-LVC countries*</b>
Bangladesh	Burkina Faso
Chile	China
China	Costa Rica
Croatia	Egypt
Ecuador	India
Egypt	Indonesia
India	Kenya
Indonesia	Mexico

\* Note: Argentina and Brazil were part of the initial sample but have been omitted at their request.

### Recommendation

16. The Executive Committee may wish:

- (a) To note the terms of reference for the evaluation of multi-year agreement projects (second phase) presented in document UNEP/OzL.Pro/ExCom/66/14; and
- (b) To consider whether the evaluation should focus on non-low-volume-consuming (non-LVC) countries only or on both LVC and non-LVC countries.

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