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EXECUTIVE COMMITTEE OF
 THE MULTILATERAL FUND FOR THE
 IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-seventh Meeting

Montreal, 28 June-2 July 2021

**Addendum**

**reports on projects with specific reporting requirements**

1. The present document includes reports on projects with specific reporting requirements pertaining to China that are due at the 87th meeting, or that were due to the 86th meeting but their consideration was deferred to the 87th meeting in accordance to the agreed procedures to conducting the 86th meeting.[[1]](#footnote-1)
2. The document is divided into the following three parts:

| **Part** | **Document title** | **Paragraphs** |
| --- | --- | --- |
| I | Financial audit reports for the CFC production, halon, PU foam, process agent II, refrigeration servicing and solvent sectors (decision 86/41) | 3 - 11 |
| II | Report on progress in the implementation of activities listed in decision 83/41(e) | 12 - 15 |
| III | Study to determine the regulatory, enforcement, policy or market circumstances that might have led to the illegal production and use of CFC-11 and CFC-12 (decision 83/41(d)) | 16 - 17 |

**Part I: Financial audit reports for the CFC production, halon,
PU FOAM, process agent II, refrigeration servicing and solvent sectors**

**Background**

1. At its 84th meeting, the Executive Committee considered the financial audit reports for the CFC production, halon, polyurethane (PU) foam, process agent II, refrigeration servicing and solvent sectors, in which an update of activities implemented in each sector plan was also provided.[[2]](#footnote-2) Subsequently, the Executive Committee *inter alia* requested the Government of China, through the relevant implementing agency, to submit at the 85th meeting the financial audit reports as at 31 December 2019 for the CFC production, halon, PU foam, process agent II, refrigeration servicing, and solvent sector plans, and the project completion reports (PCRs) for the CFC production, PU foam, refrigeration servicing and solvent sector plans; and to return to the Multilateral Fund at the 85th meeting, the funding balances available as at 31 December 2019 associated with the CFC production, PU foam, refrigeration servicing and solvent sector plans (decision 84/39(c)(i) and (c)(ii)).
2. In line with decision 84/39(c)(i), relevant implementing agencies, on behalf of the Government of China, submitted to the 85th meeting the financial audit reports as at 31 December 2019 and PCRs for the CFC production, PU foam, refrigeration servicing and solvent sectors. Supplemental final reports were submitted for the refrigeration servicing and solvent sectors as well as an update on progress in the process agent II.[[3]](#footnote-3)
3. This matter was not considered under the intersessional approval process (IAP) established for the 85thmeeting. As the meeting was postponed due to restrictions associated to the COVID-19 pandemic, the matter was included again for consideration at the 86th meeting.[[4]](#footnote-4) Through the IAP established for the 86th meeting in November 2020, the Executive Committee considered the matter and decided:[[5]](#footnote-5)
	1. To note:
		1. The financial audit reports for the CFC production, halon, polyurethane (PU) foam, process agent II, solvent and servicing sectors in China, contained in document UNEP/OzL.Pro/ExCom/86/21/Add.1;
		2. That the World Bank will return the remaining balances in the CFC production and PU foam sectors of US $314,015, and accumulated interest of US $22,119, to the 86th meeting;
		3. That UNIDO will return the remaining balances in the refrigeration servicing sector plan of US $752, plus accumulated interest of US $99,178 to the 86th meeting;
		4. That UNDP will return US $356,151, the accumulated interest from the solvent sector plan to the 86th meeting;

## To request the World Bank to submit the financial audit reports for the halon and process agent II sector plans that would be completed by 31 December 2020, in line with decision 84/39(b) to the 87th meeting together with the corresponding project completion reports (PCRs) and any remaining balances as at 31 December 2020; and

* 1. To request the Senior Monitoring and Evaluation Officer to work with the relevant implementing agency to ensure that the PCRs submitted for the CFC production, PU foam, refrigeration servicing, and solvent sector plans reflect disbursements to final beneficiaries, consistent with the information provided in the financial audit reports submitted to the 86thmeeting.

**Reports submitted to the 87th meeting**

1. On behalf of the Government of China, the World Bank submitted to the 87th meeting the financial audit reports as of 31 December 2020 for the halon and process agent II sector plans, and the corresponding PCRs, in line with decision 86/41.

# The financial audit report indicates a balance of US $8,723,002 (Table 1) for the halon sector plan and cumulative interests of US $22,163 from the halon and process agent II sector plans to be returned to the Multilateral Fund. There are no balances from the process agent II sector plan, as disbursements in 2020 amounted to US $2,416,996, resulting in a cumulative disbursement of US $46,832,188, which is US $332,188 above the US $46,500,000 approved for the plan; those additional funds were provided by the Government as co-funding for the monitoring and management of the sector plan in 2020. Table 1 summarizes the balances and interest accrued for the halon and process agent II sector plans.

**Table 1. Remaining balances and interest for halon and process agent II sector plans (US $)**

| **Activity** | **Balance as at 31 December 2019** | **Balance as at 31 December 2020**  | **Cumulative interest** | **Completion date** |
| --- | --- | --- | --- | --- |
| Halon sector  | 8,913,167 | 8,723,002 | 22,163 | December 2020 |
| Process agent II  | 2,084,808 | -332,188\* | December 2020 |

\*Funds provided by the Government as co-funding for the monitoring and management of the sector plan in 2020.

**Secretariat’s comments**

1. The Secretariat noted with appreciation that the Government of China had completed the CFC production, PU foam, solvent and servicing sector plans by 31 December 2019, the halon and process agent II sector plans by 31 December 2020, and balances associated with those sector plans, including accrued interest, had been returned to the Multilateral Fund or would be returned to the 87th meeting.
2. In line with decision 84/39(c)(iii),[[6]](#footnote-6) the World Bank informed that the local Ecology and Environment Bureaus (EEBs) are continuing their efforts to carry out management and monitoring of ODS in accordance with ODS management policies and regulations. There were no additional results or cases of illegal consumption or production of CFC-11 for further update between the 86th,[[7]](#footnote-7) and 87th meetings.
3. While the PCRs for the CFC production, PU foam, halon and process agent II sector plans contain financial data consistent with respective financial audit reports, and the return of remaining balances to the Multilateral Fund, the PCRs for the refrigeration servicing and solvent sector plans, that had been completed in December 2019, do not. The Senior Monitoring and Evaluation Officer to be appointed in 2021 will need to continue working with the relevant implementing agencies to ensure the financial data is included in those PCRs.

**Recommendation**

1. The Executive Committee may wish to note:
	1. The financial audit report for the halon and process agent II sector plans in China, contained in document UNEP/OzL.Pro/ExCom/87/9/Add.1; and
	2. That the World Bank will return the remaining balance of US $8,723,002 from the halon sector plan, and accumulated interest of US $22,163, associated with the halon and process agent II sector plans, to the 87th meeting.

**PART II REPORT ON PROGRESS IN THE IMPLEMENTATION OF ACTIVITIES LISTED IN DECISION 83/41(e)**

**Background**

1. At its 83rd meeting, the Executive Committee considered the following two documents:
	1. Review of current monitoring, reporting, verification and enforcement (MRVE) systems in accordance with HCFC consumption and production phase-out management plan Agreements between the Government of China and the Executive Committee, submitted by UNDP on behalf of the Government of China, in line with decisions 82/65 and 82/71(a); and
	2. Desk study on the current system of monitoring consumption of foam-blowing agents at enterprises assisted under stage I of the HCFC phase-out management plan and verification methodology submitted by the World Bank on behalf of the Government of China in line with decision 82/67(c).
2. In its deliberations, the Committee *inter alia* welcomed a number of regulatory and enforcement actions to be undertaken by the Government; noted with appreciation that the Government will undertake additional actions in support of its enforcement actions; and further noted with appreciation that the Government will consider a set of suggestions to supplement and augment its regulatory and enforcement actions. The Executive Committee also noted that the Government of China would submit a report at the 84th meeting, and again to the 86th meeting, on its progress in implementing the activities described in sub‑paragraphs (a) to (d) of decision 83/41.
3. At its 84th meeting, the Executive Committee considered the progress report submitted by the Government of China in line with decision 83/41(e).[[8]](#footnote-8) Subsequent to a discussion, the Executive Committee took note of the information provided by the representative of the Government of China regarding implementation of the activities listed in decision 83/41.
4. The Government of China had submitted to the 86th meeting a progress report pursuant to decision 83/41 (“*progress report*”). The Executive Committee deferred consideration of the progress report to the 87th meeting in accordance to the agreed procedures to conducting the 86th meeting.[[9]](#footnote-9) The progress report is attached in its entirety to the present document without editing or further review.

**PART III: STUDY TO DETERMINE THE REGULATORY, ENFORCEMENT, POLICY OR MARKET CIRCUMSTANCES THAT MIGHT HAVE LED TO THE ILLEGAL PRODUCTION AND USE OF CFC-11 AND CFC-12 (DECISION 83/41(d))**

**Background**

1. In the context of its discussions at the 83rd meeting on China’s MRVE systems, the Executive Committee *inter alia* decided to note that the Government of China will consider engaging a non‑governmental consultant to undertake a study (including quantitative data, where available, and qualitative market information) to determine the regulatory, enforcement, policy or market circumstances that might have led to the illegal production and use of CFC-11 and CFC-12 (decision 83/41(d)).
2. Pursuant to decision 83/41(d), the Government of China had submitted to the 86th meeting the Study on the Supervision, Law Enforcement, Policy and Market Situation of Ozone Depleting Substances in China that was prepared by a non-governmental consultant. The Executive Committee deferred consideration of the Study to the 87th meeting in accordance to the agreed procedures to conducting the 86th meeting.[[10]](#footnote-10) That study is attached in its entirety to the present document without editing or further review.

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1. UNEP/OzL.Pro/ExCom/86/IAPext/1/Rev.1 [↑](#footnote-ref-1)
2. Paragraphs 6-105 of document UNEP/OzL.Pro/ExCom/84/22/Add.1 [↑](#footnote-ref-2)
3. UNEP/OzL.Pro/ExCom/85/9 [↑](#footnote-ref-3)
4. UNEP/OzL.Pro/ExCom/86/21/Add.1 [↑](#footnote-ref-4)
5. Decision 86/41. [↑](#footnote-ref-5)
6. The Executive Committee requested the Government of China, through the relevant implementing agency, to report on the results of the monitoring efforts of local EEB, including cases where CFC-11 had been detected, in future financial audit reports. [↑](#footnote-ref-6)
7. Part IV of document UNEP/OzL.Pro/ExCom/86/21/Add.1provides an update until the 86th meeting. [↑](#footnote-ref-7)
8. UNEP/OzL.Pro/ExCom/84/22/Add.1 [↑](#footnote-ref-8)
9. UNEP/OzL.Pro/ExCom/86/IAPext/1/Rev.1 [↑](#footnote-ref-9)
10. UNEP/OzL.Pro/ExCom/86/IAPext/1/Rev.1 [↑](#footnote-ref-10)