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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Second Informal Meeting on Strategic Planning of the
Multilateral Fund in the Compliance Period
Ouagadougou, 2-3 December 2000

BACKGROUND NOTE FROM THE FUND SECRETARIAT

1. This note provides a briefing on the discussions of the Executive Committee at its 30th and 31st Meetings on the strategic planning of the Multilateral Fund in the compliance period.

Discussion at the 30th Executive Committee Meeting

2. The first round of the discussion on strategic planning took place at the 30th Meeting in March 2000 and was facilitated by a paper submitted by the Fund Secretariat as per Decision 29/13, entitled Strategic Planning and the Draft Three-Year Business Plan for the Multilateral Fund for 2000-2002 (UNEP/OzL.Pro/ExCom/30/35). The paper proposed a conceptual shift of the Multilateral Fund operations from a project-driven programming in the grace period of the Montreal Protocol to a country-driven strategy in the compliance period.

3. The Executive Committee welcomed the proposed conceptual shift as a good start for the discussion on the strategic planning, invited its members to provide their views on the Secretariat paper and decided to continue the discussion at an informal meeting on the subject one day before its 31st Meeting.

Discussion at the 31st Executive Committee Meeting

4. The informal meeting, held prior to the 31st Meeting in July 2000, was assisted by two documents prepared by the Secretariat: Strategic Planning and Draft 3-year Business Plan for the Multilateral Fund for 2000-2002 (UNEP/OzL.Pro/ExCom/31/55) and Status of Article 5 Countries in Achieving Compliance with the Initial Control Measures of the Montreal Protocol (UNEP/OzL.Pro/ExCom/31/inf.2). The first document was a summary of the written comments from Executive Committee members on document UNEP/OzL.Pro/ExCom/30/35 and the outcome of the Informal Advisory Group meeting held in January 2000; and the second document (UNEP/OzL.Pro/ExCom/31/inf.2) was an assessment of the potential of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol.

5. The discussion at the informal meeting reaffirmed the conceptual shift that had to be made in the operations of the Multilateral Fund in order to ensure that Fund resources are directed to where they were mostly needed, i.e. the achievement of compliance by each and every Article 5 country. It was generally acknowledged that Article 5 governments should be encouraged to assume greater responsibility in implementing compliance. There was an emerging consensus on the priorities that the Fund should target, as well as the problems that the Fund should give its attention to. At the same time, the meeting realized that the conceptual shift might require changes in the operation of the Fund which should be carefully studied to guarantee a smooth transition from the current operating system.

6. The informal meeting concluded its work with a report forwarded to the 31st Meeting of the Executive Committee: Report of the Informal Meeting on Strategic Planning of the Multilateral Fund in the Compliance Period (UNEP/OzL.Pro/ExCom/31/Inf.5). The report includes an annex: Strategic Planning: Priorities, Problems, Modalities and Way Forward. The report is attached to this Note for ease of reference.

7. The Executive Committee's 31st Meeting held a preliminary exchange of views on the outcome of the informal meeting, and a number of amendments were proposed to the report and the annex thereto setting out priorities, problems, modalities and the way forward for strategic planning. There was general agreement that the annex should be revised in the light of the comments made during the meeting and subsequently in writing, to serve as guidance for future work.

8. To conclude its discussion on the issue, the Executive Committee decided to hold a two-day informal meeting on strategic planning of the Multilateral Fund in the compliance period immediately prior to the Sub-Committee meetings preceding the 32nd Meeting of the Committee.

Developments since the 31st Meeting of the Executive Committee

9. The Secretariat has updated its analysis on the potential of Article 5 countries in achieving compliance with the initial obligations under the Montreal Protocol which is contained in Part I of UNEP/OzL.Pro/ExCom/32/38. The Secretariat has added to the above analysis an assessment of the implementation of policy measures by Article 5 countries, which is included in Part II of the document.

10. The Secretariat and the implementing agencies developed and distributed a letter to Article 5 countries requesting verification of the latest consumption data and activities needed to achieve or maintain compliance. Based on the information received from the countries that responded, the implementing agencies developed their draft business plans for the year 2001, and indicated where pertinent activities were foreseen for the 2002 business plan. The Secretariat then assessed the needs of countries at risk in achieving their initial control measures in the light of activities planned for 2001 and 2002 in the development of the Three-year business plan contained in Part III of UNEP/OzL.Pro/ExCom/32/38.



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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-first Meeting
Geneva, 5-7 July 2000

**REPORT OF THE INFORMAL MEETING ON STRATEGIC
PLANNING OF THE MULTILATERAL FUND IN
THE COMPLIANCE PERIOD**

Introduction

1. Pursuant to Decision 30/57 of the Executive Committee, the informal meeting on strategic planning of the Multilateral Fund was held at ILO Headquarters in Geneva on 2 July 2000.
2. The meeting was attended by the following members of the Executive Committee: Australia, Bahamas, Brazil, China, Dominican Republic, Germany, India, Japan, Sweden, Tunisia, Uganda, and United States of America, as well as by representatives of the implementing agencies, the Ozone Secretariat, and the Treasurer.

**AGENDA ITEM 1: OPENING OF THE MEETING BY THE CHAIRMAN OF THE
EXECUTIVE COMMITTEE**

3. The Chairman of the Executive Committee welcomed participants and opened the meeting.

AGENDA ITEM 2: ADOPTION OF THE AGENDA

4. The meeting adopted the following agenda:
 1. Opening of the meeting by the Chairman of the Executive Committee.
 2. Adoption of the agenda.
 3. Assessment of the status of compliance with the Montreal Protocol.
 4. Programme targets and setting priorities.
 5. Strategic considerations to achieve the targets.
 6. Recommendations for further action.

AGENDA ITEM 3: ASSESSMENT OF THE STATUS OF COMPLIANCE WITH THE MONTREAL PROTOCOL

AGENDA ITEM 4: PROGRAMME TARGETS AND SETTING PRIORITIES

AGENDA ITEM 5: STRATEGIC CONSIDERATIONS TO ACHIEVE THE TARGETS

AGENDA ITEM 6: RECOMMENDATIONS FOR FURTHER ACTION

5. The Secretariat introduced the report on strategic planning and the draft three-year business plan for the Multilateral Fund for 2000-2002 (UNEP/OzL.Pro/ExCom/31/55), which comprised two parts: the first part summarizing the comments received from Executive Committee members and the outcome of the informal advisory group meeting; and the second part containing an assessment by implementing agencies of the status of countries in implementing their freeze obligations.

6. It was agreed that the report constituted a useful basis for the work of the informal meeting. It was also noted that ODS consumption was dominated by CFC use, mainly for refrigerants, and that a high percentage of this was used for refrigerant servicing, thus providing a useful indication for future work.

7. The Secretariat introduced its analysis of the status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol (UNEP/OzL.Pro/ExCom/31/Inf.2 and Corrs.1 and 2), and showed slides on the assessment of compliance.

8. During the ensuing discussion, the following goals for the strategic planning exercise were identified: (i) to assess compliance; (ii) to enable Article 5 countries to meet all the

Montreal Protocol requirements; (iii) to provide longer-term clear direction to stakeholders and implementing agencies; (iv) to maximize the probability of compliance by Article 5 countries; (v) to ensure the availability of funds; (vi) to focus efforts on the right areas; (vii) to deal with the problem of methyl bromide and carbon tetrachloride; and (viii) to ensure that delays in implementing projects did not retard compliance.

9. A number of priorities for action were proposed in order to ensure the attainment of the goals and it was stated that the elaboration of new mechanisms might be necessary. Emphasis was laid on the need to focus on those countries that were unable to achieve compliance, while at the same time maintaining the momentum in those countries that could meet the 2002 and 2005 deadlines so that they could achieve phase-out.

10. It was suggested by one member, but contested by another, that activities relating to the strategy should be divided into investment and non-investment activities. The latter would become increasingly important and the priorities for such activities must be made perfectly clear.

11. The statement by the representative of one implementing agency that, despite the policies adopted, it had to be recognized that, if the price of CFCs was low and the price of substitutes high, efforts would be in vain. Countries, through the NOUs, must be urged to see that the price of CFCs rose and the price of substitutes fell.

12. Phase-out was contingent upon the funds being made available and modalities that took into account the availability of funds had to be worked out, in addition to urging the prompt payment of contributions.

13. The Chief Officer suggested that a further priority should be to encourage countries that were likely to be in compliance at a later date to work expeditiously with the implementing agencies in order to accelerate implementation of projects and so achieve compliance as soon as possible. Countries that were not in compliance should be requested to re-examine their data, ensure that appropriate policies were in place, and indicate what measures needed to be taken, if necessary with the Fund's assistance.

14. The approach to be adopted was the subject of keen debate. Support was expressed for the development of sector or country approaches, although it was recognized that they would take time to elaborate and it was not necessarily a matter of funds. A holistic, one-off approach by sector might help to increase the number of countries in compliance. The need for flexibility was underlined with a sector, country or project approach being followed as appropriate. Whatever approach was followed, it must allow countries to pursue their own priorities and must take into account each country's own strategy. It was also pointed out that a sector approach placed a much greater burden on NOUs and it had to be determined in each case whether they were prepared and able to fulfil such a role.

15. The role of NOUs was stressed and some members urged that they be more closely involved in the work of the Fund and that their views on the reasons for project implementation delays be heeded.

16. It was recognized that awareness promotion campaigns should be intensified because of their importance in assisting compliance.

17. While the need for appropriate policies and regulations to be in place was acknowledged, it was also emphasized that sometimes, even where they existed, infrastructural impediments made it difficult to resolve problems.

18. It was proposed that the methodology followed for the work of the Executive Committee should be re-assessed because the situation in the next decade would not be the same and a change in working methods would be necessary. The Fund Secretariat should be strengthened and given more responsibility and a short-term plan for the Executive Committee's overall activity should be drawn up.

19. It was agreed that the future business plans of the implementing agencies should be drafted bearing in mind the strategic planning goals and priorities. There should be horizontal cooperation among the implementing agencies in order to ensure that their business plans followed the agreed approach. The view that programming should be country-driven was expressed, with possible agreement on a lead agency on a country basis.

20. In addition, the Fund should have a holistic business plan so as to rationalize funding and enhance compliance. The plan could be prepared by the Secretariat, the implementing agencies and agencies active in the bilateral cooperation sphere, although some concern was expressed that a holistic plan might lead to the agencies "hunting" for projects. It was also suggested that a holistic business plan should be developed under the aegis of the NOUs.

21. The accuracy of data was generally, recognized as being of critical importance. The Chief Officer said that, although the data submitted to the Secretariat had been checked with the Ozone Secretariat, changes had still been received. The Secretariat had engaged a consultant to develop a format for a database that should help governments in providing the data reporting required under Article 7 and by the Decisions of the executive Committee (e.g. progress in implementation of country programmes and requests for renewal of institutional strengthening projects). Governments could report simultaneous to the Ozone and the Fund Secretariats. He added that the database was supported by the Ozone Secretariat, which would make provision for the Fund Secretariat to present it to the Implementation Committee at its meeting to be held in Geneva on 10 July. In response to a query, he also confirmed that the proposed format made provision for the inclusion of data on voluntary phase-out, where the costs were met by outside sources.

22. The Secretariat presented the proposed format, highlighting a number of its features.

23. It was explained that many Article 5 countries encountered difficulties in compiling data and that was the reason for the changes sent to the Secretariat. It was not a question of changing the figures. The difficulty of collecting accurate data at the sub-sector level was also cited.

24. Concern was expressed by many members at the reliability of data and the need for uniform data was highlighted. It was pointed out that, if data were not accurate, consumption figures might in fact be even higher and consequently more funds would be needed.

25. Following the discussion, it was agreed that the Secretariat should prepare a paper on priorities, problems, modalities and was forward of strategic planning for submission to the Executive Committee at its 31st Meeting (annexed to this report).

26. It was further recommended that a contact group then be established to meet inter-sessionally to work on the issue.

ANNEX

Strategic Planning: Priorities, Problems, Modalities and Way Forward

Based on an examination of the status of implementation of the Montreal Protocol control measures for CFCs, halons, methyl bromide, CTC and TCA by each Article 5 country, the meeting achieved confluence and congruence on a number of key areas on the strategic planning of the Fund operation in the compliance period.

Priorities

The Multilateral Fund will give funding priority to enable:

- countries which are experiencing difficulty in implementing their CFC freeze obligation to do so in an expedient manner;
- countries which may have difficulty in complying with the freeze obligation for halons and methyl bromide in January 2002 to do so;
- countries to sustain the momentum achieved in their national ODS phase-out programmes so that they will be able to meet the next reduction targets in 2005 including the 85 percent reduction in CTC, as well as further reduction targets;
- countries to implement the compliance for TCA freeze in 2003;
- countries which have ODS sectoral phase-out agreements with the Executive Committee (e.g. CFC production, solvent, halon, tobacco, etc.) to implement their annual reduction targets;
- small ODS consuming industries to move away from ODS-consuming technologies;
- countries to enact regulatory measures to reduce the dependency on ODS; and
- the implementation of enhanced public awareness on the protection of the ozone layer.

Problems

There was clearly a need to improve on the reliability and accuracy of ODS consumption and production data for business planning and determination of compliance.

There was an urgent need to tackle the consumption and production of halons and methyl bromide since the freeze obligation for these substances are drawing close.

There was an urgent need for contributing parties to pay their contributions on time under the newly-introduced fixed exchange rate mechanism to enable the funding of programmes and projects to assist with compliance.

Modalities

The current project by project based programming should be replaced by country-driven/compliance-driven programming should be followed in the compliance period. This would require moving away from the project-by-project funding to a performance-based sector/country phase-out work programmes. There should be flexibility in allocating the approved funding by the Article 5 governments according to their needs.

National Ozone Units should be strengthened to be able to plan and manage their national ODS phase-out programmes. In so doing, the results of the institutional strengthening evaluation should be taken into consideration.

There should be a re-examination of the roles and functions of the various stakeholders in the new operating environment to ensure that on the one hand Article 5 countries are being placed in the responsible role of implementing the Montreal Protocol commitment they have assumed and, on the other, the appropriate accountability mechanism is put in place.

Way forward

While congruence was arrived at on these broad but important aspects of the strategic planning exercise, it was also realized that many of the details need further examination and elaboration. This relates in particular to the implementation mechanisms that have to be adjusted and modified to suit the new strategies and modalities.

Therefore, there was a need to form a drafting group to work between the Thirty-first and Thirty-second Meetings on these details so that a complete document could be submitted to the Thirty-second Meeting.

In the meantime, the Secretariat and the implementing agencies should review the countries which have been identified as having difficulty in implementing their CFC freeze obligation and propose to these countries measures that can be taken to address the situation in the context of the 2001 and 2002 business plans.

The Chairman of the Executive Committee (or the Chief Officer) should write to each Article 5 country to inform them of the status of the country in implementing the Montreal Protocol compliance obligations, using the result of the analysis done by the Secretariat