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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-third Meeting
Montreal, 28-30 March 2001

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 33rd Meeting

Submissions by Agencies and Bilateral Partners

1. The total value of requests associated with projects and activities received by the Fund Secretariat from implementing and bilateral agencies for submission to the 33rd Meeting is US \$50,415,352 (including agency support costs where applicable).

Secretariat's review of proposed projects and activities

2. The review by the Fund Secretariat of proposals for the funding of projects and activities has resulted in a recommendation for blanket approvals in the amount of US \$3,077,954, including two investment projects within a refrigerant management plan, and the withdrawal or deferral of 7 investment projects and other activities with a total value of US \$6,183,255. Five investment projects are submitted for individual consideration with a total value as submitted of US \$39,015,755.

Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for committal amount to some US \$32,46 million.

Issue arising from project review

Funding of updates for refrigerant management plans

4. UNDP has requested project preparation funding to update the RMPs for six LVC Article-5 countries. The proposals are associated with additional funding requests to prepare retrofit incentive projects. UNDP indicated it had developed the requests with the intention that they be considered under the guidelines for RMPs in Decision 31/48. This decision *inter-alia* requests national ozone officers to “review and assess the content, implementation to date and expected outcomes of their RMPs against their objective to phase out all consumption in the refrigeration sector according to the Montreal Protocol timetable”. In undertaking this review, national ozone officers should:

- (a) Calculate current and forecast future consumption in relation to the freeze, 50% cut in 2005, 85% cut in 2007 and phase-out in 2010 and calculate the size of consumption cuts in the refrigeration sector required to meet these targets;
- (b) Include forecast cuts in consumption attributable to the activities already approved under the RMP, including training activities and recovery/recycling;
- (c) Ensure that the current and expected future consumption of all sub-sectors, including the informal sector, small and medium-sized enterprises and mobile air conditioners, are included in the review;

- (d) For each activity identified, consider the cost and means of funding, including national financing;
- (e) Ensure that the RMP and government strategy for delivering phase-out includes adequate provision for monitoring and reporting on progress.

5. Decision 32/10 requested UNDP to comply with Decision 31/48 noting that funding requests should be based on a full assessment as described in paragraph (a) of the decision. Decision 32/28 provided guidance on the conditions and the requirements for retrofit incentive schemes including that the country should be fully informed about all the investment and non-investment activities which might be available, and that the timing of the proposed activity should be appropriate for the country's circumstances.

6. According to UNDP's progress reports, up to the end of December 1999, none of the six RMPs, or any of their component projects had been completed. Four of the six RMPs were only approved in 1999 and 2000. The other two were approved in 1997 and 1998. There are therefore no project completion reports, no assessments of their success, or analyses of possible shortcomings or needs for additional activities.

7. The additional funding for RMPs available under Decision 31/48 is the final assistance available to a country to enable it to meet its control obligations up to 2007, that is, for the next six years. An RMP update needs to be a carefully considered process that draws on the results and outcomes of the RMP itself. It appears that the update process and end-user incentive schemes now being proposed would be unable to capitalise on the lessons which will emerge in the future when current RMPs are implemented and analysed. This could lead to the countries not receiving the optimum form of support to enable them to achieve their phase-out objectives between now and 2007.

8. The Executive Committee might consider whether RMP updates should be considered for funding after results of the major activities in the RMP, in the form of project completion reports, are available for analysis, to enable the lessons learned to be incorporated into any request for additional activities under Decision 31/48.

Confidentiality of project data

9. The World Bank has communicated to the Secretariat its concerns about safeguarding the commercial sensitivity of technical information provided in support of a project submitted to the Executive Committee for consideration and currently being reviewed by the Secretariat. This may have implications for the review process and the future preparation of investment project proposals involving newly-developed technology. The background is as follows.

Background

10. The World Bank submitted a project for conversion of manufacturing facilities for chlorinated rubber to the 31st Meeting on behalf of the Government of India, to phase out 225 ODP tonnes of carbon tetrachloride at a requested cost of US \$4.96 million. The proposal as

first submitted contained little detail, could not be reviewed by the Secretariat and was not included in the agenda of the meeting

11. The World Bank informed the Secretariat that some of the detailed information sought by the Secretariat was commercially sensitive, requested that confidentiality requirements be observed by all individuals and suggested that the Secretariat's consultants sign confidentiality agreements. The Secretariat informed the Bank as early as 19 May 2000 that external sector experts were likely to be involved in the review process. The Secretariat realised that there were confidentiality issues, however it was for the enterprise, the country and the World Bank to consider how this might be done to enable the usual, and mandatory, review process to take place.

12. Subsequently the World Bank provided additional technical information to the Secretariat so that the review process could proceed. Because this was a new sub-sector with new technology, the Secretariat engaged three consultants to assist with the review. The project was submitted to the Executive Committee at its 32nd Meeting, but deferred by the Committee (Decision32/59).

13. On 5 January 2001 the World Bank wrote to the Secretariat seeking information about one of the consultants used by the Secretariat and his association with a major company that also produces chlorinated rubber. The Secretariat advised the Bank that it was following the practice used by the Parties, the Secretariat and relevant implementing agencies whereby industry employees continue to serve the Montreal Protocol community, including as technical reviewers in circumstances where their employers were potential competitors of the project beneficiaries.

14. On 9 February 2001, the World Bank wrote again expressing concern about ensuring that sensitive information provided by the company was well protected and requesting the Secretariat to provide the names and affiliations of all the consultants involved in reviewing the project and copies of their specific contracts with the Secretariat as well as the list of specific information that had been provided to each consultant.

15. In view of the Bank's concerns the Secretariat has suspended the review process.

Issues

16. The matter of confidentiality of project information has not arisen previously in the review of investment projects. The Secretariat recognises the importance to enterprises in both Article-5 and non-Article-5 countries of safeguarding commercially sensitive information. The Secretariat operating within the UN system, follows the contractual procedure under the UN financial rules and uses a UN standard contract which includes, *inter-alia*, conditions binding the consultants in regard to the information they receive.

17. The Secretariat also notes that the provision of technical information in sufficient detail to fulfil its mandate for project review is essential. This requirement is enhanced when, as in this case, the project is for a new sector, is large and incorporates newly developed technology. The

two requirements, for confidentiality on the one hand, and for a thorough review on the other are potentially contradictory. This raises the technical issue of the extent of information which would be generally agreed as having a significant level of sensitivity. While the Bank provided a substantial volume of additional technical information, it declined to provide full details in a number of specific cases on the grounds that the information was indeed too sensitive to be released by the enterprise.

18. The granting of a patent for a technology provides a level of protection for the owner. It also provides an indication that the technology is mature or proven, which is a requirement for funding by the Multilateral Fund. In this project the non-ODS technology was locally developed by another company in the group which owns the enterprise and which applied for a domestic patent in December 1998.. At the time of submission of the project a patent had not been granted. It would be possible to defer consideration of this and other such projects until the information came into the public domain through the granting of a patent. This would also provide additional guarantees about the maturity of the technology. It would, however, delay submission until the patent process had been completed, and thus delay phase-out of the relevant ODS, in this case carbon tetrachloride.

19. The Secretariat is seeking the views of the Executive Committee as to how to proceed. Specifically, the Executive Committee might indicate (a) whether the Secretariat should accept in support of project submissions material which the implementing agency cannot provide free of conditions of confidentiality, and (b) whether it would wish to defer consideration of projects involving new technology until the information came into the public domain through the granting of a patent.

Change of Technology

20. The World Bank submitted a proposal for change in technology for Cool Industries, an enterprise in Pakistan which manufactures domestic refrigerators. The enterprise wishes to implement the conversion using hydrocarbon technology for the insulation foam. The original project proposed the use of HCFC-141b. The Secretariat reviewed the proposal and agreed that it was consistent with Decision 22/69 on change in technology in approved projects and that it should proceed. Additional funding is excluded by Decision 22/69 and was not sought in this case. This advice is provided for the information of the Executive Committee in accordance with Decision 32/25.