

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-fifth Meeting
Montreal, 5-7 December 2001

**Proposal for Implementing the First Phase of the Strategic
Framework Adopted by the Executive Committee at its 32nd Meeting**

(Submitted by the Government of the United States of America)

In 2000, the Executive Committee carefully considered the development of a new strategic framework over a period of 3 meetings. It should therefore come as no surprise that it is taking additional time to put in place the significant changes that the Executive Committee envisioned. In that regard, we believe that the full adoption of all of the many changes foreshadowed in the December 2000 strategic planning agreement is likely to take place in groups of decisions.

Over the last 3 meetings, the Executive Committee has focused primarily on a first group of issues that are very important to Article 5 and non-Article 5 countries alike. Those issues are: increased funding for institutional strengthening (IS), funding and guidelines for country programme updates (also known as compliance plans) and ensuring that Fund projects yield sustained permanent reductions in national aggregate consumption. Given the different views expressed on these issues, we believe that agreement must be reached on all of these issues at once for agreement to be reached on any of these issues. We also believe that the time to reach agreement is now.

Over the last three meetings, Article 5 countries and non-Article 5 countries have expressed a wide variety of views regarding this process and these issues. To our mind, the following capsulizes these thoughts, if only in a non-exhaustive fashion:

From the developed country side, the general view is that Fund has been supporting activities in developing countries for 11 years. In particular, and despite the fact that “support” types of assistance such as IS were specifically negotiated off of the indicative list of incremental cost that is supposed to guide Fund assistance, the Fund has long supported IS projects and networking. In addition, despite the fact that the Fund is directed by the Protocol to enable implementation of Article 2a-2h, the Fund has also supported implementation of Article 7 on reporting. Finally, despite the lack of a requirement to provide such support, it should be clear that developed countries are committed to continuing this type of support. Thus, from the developed country standpoint, we have, through the Fund, made an effort that goes beyond the scope of the Parties negotiated mandate to enable developing country governments to come to grips with their ODS problems. We note with appreciation that over the last 10 years, developing countries have, with the assistance of over US \$1.3 billion in Fund money, made substantial gains in achieving reductions. However, it is

undeniably true that in many cases and in many countries, ODS use has been allowed to grow significantly at the same time Fund money was being accepted to achieve reductions. Developed countries have watched this with concern, but have understood that until the baseline was established, such growth was allowable. Now, the baseline has been established and the freeze has been initiated. The developed countries generally believe that it is time that the developing countries accepted full responsibility for their Protocol commitments and ensuring a downward trend in consumption. We seek their commitment to develop robust compliance plans and to ensure that each tonne of reductions that the Fund has paid for since the establishment of the agreed baseline results in one less tonne that will be emitted to destroy the ozone layer, and one less tonne that the developed countries will be asked to pay for through the Fund.

On the other hand, while appreciating the assistance provided through the Fund, A5 countries generally believe that the Fund does not sufficiently appreciate their commitment, or the magnitude of their task given the limited institutional resources that are available, and the conflicting priorities within their countries. Article 5 countries are generally supportive of the country driven approach, but believe that it will require more IS funding and more direct, on the ground assistance from the agencies in areas such as policy making, planning, data verification, customs, and refrigerant management. They would like to prepare and present plans that are as comprehensive as possible, but they are not sure of the commitment of the Fund to fund their planning process. While understanding and agreeing in general with the desire to ensure that Fund projects bring about reductions in national aggregate consumption, Article 5 countries seek some latitude in the implementation of this agreed language to take into account the unique conditions that might have taken place in some countries if a single base year is used.

While Article 5 and non-Article 5 countries sometimes have different views, we believe that it is important to note a couple of overarching facts that cover this entire debate. First, we understand that funding in the Executive Committee and in the countries concerned is not unlimited. Second, it is critical for all to understand that in a short period of time, supply of CFC will become increasingly tight, and if national plans are not made and implemented in a manner that anticipates this fact, undesirable disruption will occur.

Proposal

The following proposal is designed to implement the first phase of the strategic plan agreed by the Executive Committee last December. It addresses what we believe are the primary issues that have been discussed at the last 3 Executive Committee meetings

1. Institutional Strengthening: All IS projects and renewals shall be approved at a level that is 30% higher than the historically agreed level. This will help countries carry out the new strategic framework agreed, and provide increased support for critical areas such as public awareness. The level of IS funding noted above should prevail until 2005 when it should again be reviewed. This proposal would also include a clear commitment that this level of IS or a level close to it should prevail for all A5 Parties until at least 2010, even if they should phaseout early. It should also be noted that in addition to this direct increase in IS funding, UNEP will, as agreed in 2000, be provided

with US \$200,000/year to support public awareness, and countries will receive enhanced direct support on policy and substantive issues through UNEP's new Compliance Assistance Programme. Finally, it should be noted that countries undertaking national phaseout plans are likely to receive IS funding at an even higher level than that anticipated above to facilitate national project implementation, as explicitly agreed in related phaseout agreements.

2. Country Programme Updates: Countries shall be provided with country programme update funding that is 50% of the level originally provided to them to do country programmes. LVCs that have done RMPs will be given 50% of the funding provided to develop their original RMP to do RMP updates, but will not be given funding to do CP updates. New country programmes should, consistent with existing Executive Committee guidelines, continue to include RMPs.

3. Reductions in National Aggregate Consumption: All Article 5 countries should be treated equally. In that regard, the Article 5 countries should select one option from two options below for determining the baseline form implementation of the national aggregate consumption of all A5 countries:

Option 1	Option 2
Montreal Protocol Baseline As reported at this meeting	Latest Reported Data (1999 or 2000) As reported at this meeting
- Projects approved but not yet implemented when the baseline was established in 1997, and projects approved since	- projects approved but not yet implemented

Provisos relating to the two options above

(a) If the Article 5 countries select option 2, it should be with the understanding that the Executive Committee may agree in exceptional cases to adjust the resulting baseline at the first instance a project from a country is considered, to take into account the demonstrated non-representative nature of the last year's data for reasons such as clearly demonstrated stockpiling in the specific 12 month period, and/or national economic difficulties in the specific 12 month period. In so considering, the Executive Committee shall not take into account illegal imports, as there should be agreement that firms that import illegally, or purchase illegal imports, should not benefit from Fund assistance.

(b) It is acknowledged that some future years reported consumption may go above or below the levels that result from the agreed calculation, but if consumption numbers go above the resulting levels, such increases in consumption would not be eligible for funding. It is further noted that the resulting numbers represent maximum residual ODS that the Fund will pay to reduce, and that existing Fund guidance related to eligibility of projects would be maintained in all respects.

(c) It is noted that RMPs and MBR projects lead to a specific commitment of levels of reductions in national aggregate consumption relative to Montreal Protocol obligations, and that halon banking projects often lead to commitment for a total national phaseout and ban on the import of halon. Those projects should continue to be handled on that basis.

(d) Institutional strengthening and non-investment activities, including UNEP activities and any country dialogues that may be approved, undeniably contribute to Article 5 reductions in the use of ODS, otherwise, there would be no need to fund these activities. That said, their direct ODS reduction impact has been notoriously difficult to quantify. TEAP has suggested that for MBR, non-investment activities may be 5 times MORE cost-effective than phaseout projects, yielding a cost-effectiveness of under US \$4.25/kg. For the purposes of this endeavor, we wish to take a much more conservative stance, and suggest that all future non-investment activities be given a value that is not many times more cost-effective than investment projects, but is instead at US \$12.10/kg, which is one third as cost-effective as the average investment project approved under the Fund. We suggest that this should be used as an interim figure until more research can be done on the issue.

(e) While countries are still explicitly given the option of preceding in a project by project or sector/national basis, it should be noted that in the case of broader plans such as production sector plans, RMPs, solvents sector plans, halon sector plans or national CFC phaseout plans, complicated issues such as selecting a baseline and ensuring national sustained reductions becomes less critical, as the agreements themselves embody a specific commitment to eliminate national aggregate consumption of production of the given substance on a specific schedule.
