EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-first Meeting
Montreal, 19-23 March 2007

DESK STUDY ON THE EVALUATION OF MANAGEMENT AND MONITORING
OF NATIONAL PHASE-OUT PLANS
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Annexes:

Annex I Checklist of Questions
I. Executive Summary

1. National and sectoral CFC phase-out plans were introduced into the Multilateral Fund (MLF) in 1997 and were increasingly adopted in the following years. To date 19 national CFC phase-out plans have been approved in principle and 77 annual funding tranches under such plans. In addition, there are 9 national phase-out plans covering all ODS with 36 approved annual funding tranches, as well as 2 sector phase-out plans with 42 annual funding tranches for several agencies. The majority of these sector plans relate to CFC consumption in aerosol, refrigeration and foam, some others to CFC-113 and other ODS used as solvents.

2. The objective of this evaluation is to complement the evaluation of refrigerant management plans (RMPs) and national phase-out plans (NPPs) in non low-volume consuming (non-LVC) countries (document UNEP/Ozl.Pro/ExCom/48/12), which focused primarily on the refrigeration sector and was not able to analyze in depth the management, monitoring and verification aspects of the NPPs. These had been emphasized as evaluation issues in the earlier desk study (document UNEP/Ozl.Pro/ExCom/45/12) as well as in the subsequent decision 45/11, and became the focus of this desk study guiding the work of the consultants.

3. The consultants, in co-operation with the Senior Monitoring and Evaluation Officer (SMEO), reviewed the documents available on NPPs for 12 countries (mainly project documents, Secretariat's comments, annual progress reports and work programmes, verification reports, as well as relevant decisions and guidelines of the Executive Committee). The countries chosen for the Desk Study constitute a representative sample of a broad spectrum of phase-out plans. Discussions were held with Implementing Agencies and comments received on the draft desk study were incorporated into the final version.

4. This desk study re-confirmed the relevance and timeliness of evaluating the management, monitoring and verification of NPP's. Further evaluation issues identified include the need to: review the indicators for assessing implementation delays and difficulties; analyze the coordination foreseen and practiced when several IAs are engaged in implementing a NPP; establish how the flexibility clause is being interpreted and utilized by the countries and the IAs; and assess the prospects for sustaining the phase-out results achieved in the post 2010 period.

5. It is suggested that field visits should collect more information on NPPs in several non-LVC countries. The travel plans for the evaluation missions will be established by the Senior Monitoring and Evaluation Officer, in consultation with the Ozone Units of the countries to be visited and the Implementing and Bilateral Agencies concerned.

II. Background and Objective of the Desk Study

6. National and sectoral CFC phase-out plans (introduced into the Multilateral Fund (MLF) in 1997) use performance-based funding agreements. These combine the funding commitment by the Executive Committee with the commitment of countries concerned to achieve annual phase-out targets matching or exceeding the countries’ obligations under the Montreal Protocol. The need for permanent reductions of national aggregate consumption levels is set out in Decision 35/57. There have been a number of additional decisions by the Executive Committee on the preparation, implementation and management of performance-based phase-out plans. The phase-out achieved under such plans and the remaining CFC consumption is verified each year before the subsequent tranche is released.
7. To date 19 national CFC phase-out plans have been approved in principle, with 77 annual funding tranches under such plans. In addition, there are 9 national phase-out plans covering all ODS with 36 approved annual funding tranches, as well as 2 sector phase-out plans with 42 annual funding tranches for multiple agencies. The plans which have been prepared and implemented so far show a great degree of similarity, although some variations exist both in format and substance. All plans contain quantified performance targets in terms of maximum allowable consumption in a given year and define the annual phase-out required, as well as provisions to verify and report related data and penalties in case of non-performance. They also provide flexibility to the country to use the funds received in the way they deem best to achieve the agreed phase-out.

8. The objective of this evaluation is to complement that for refrigerant management plans (RMPs) and national phase-out plans (NPPs) in non low-volume-consuming (non-LVC) countries (document UNEP/OzL.Pro/ExCom/48/12) which focused primarily on the refrigeration sector. The management, monitoring and verification aspects of the NPPs, emphasized as evaluation issues in the earlier desk study (document UNEP/OzL.Pro/ExCom/45/12) and in the subsequent decision 45/11, were explored in only a preliminary manner and not analyzed in depth.

9. This desk study is intended to engage the implementing and bilateral agencies in the preparation of the evaluation and to obtain feedback from the Executive Committee on the suggested evaluation issues and approach to be used. Comments on the draft desk study received from the World Bank and UNDP have been taken into account for the present document. As a second phase, field visits to selected non-LVC countries are suggested.

III. Proceedings for the Desk Study

III.1 Sample Reviewed

10. Two consultants, in co-operation with the Senior Monitoring and Evaluation Officer (SMEO), have done overviews of NPPs for 12 countries as a starting point (see Table 1 below), and reviewed additional documentation available (mainly project documents, Secretariat's comments, annual progress reports and annual work programmes, as well as relevant decisions of the Executive Committee). The intent is/was to determine which, if any of the previously noted issues, could be further addressed or elaborated upon based on the information in the files of the Secretariat.
Table 1 – Sample Selected for Review of Documentation

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Agency</th>
<th>Data Approved</th>
<th>Number of Annual Work Programmes Approved</th>
<th>Number of Tranches* Approved</th>
<th>Number of Tranches* Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO / IBRD</td>
<td>Apr-04</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>CFC Phase-Out Plan</td>
<td>UNDP / Germany</td>
<td>Jul-02</td>
<td>5</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Egypt</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>Jul-05</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Sectoral Phase-Out Plan (ODS)</td>
<td>UNDP / IBRD/ UNIDO</td>
<td>Dec-04</td>
<td>6</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Libya</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>Dec-03</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Nigeria</td>
<td>CFC Phase-Out Plan</td>
<td>UNDP / UNIDO</td>
<td>Nov-02</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>CFC Phase-Out Plan</td>
<td>IBRD / Sweden</td>
<td>Nov-02</td>
<td>4</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Thailand</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Turkey</td>
<td>CFC Phase-Out Plan</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Venezuela</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>Apr-04</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>Apr-05</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>


* In the case of implementation through several IAs, the number of annual tranches increases accordingly.

11. As can be seen from the above table, efforts were made to analyze a sample representative of a broad spectrum of multi-year agreements (MYAs). The countries chosen for the Desk Study constitute: a mix of large and small countries; countries that appear to be experiencing implementation difficulties; countries that are ahead of schedule; countries at different stages of implementation of the Agreement (first to seventh tranche). There is also a wide range in the size of NPPs and number of tranches both underway and accomplished.

12. Of the 12 country document packages studied in depth:

(a) UNIDO is lead agency for NPPs in 4 of the countries (Argentina, Egypt, Libya, Venezuela); the World Bank is lead agency in 5 (Malaysia; Philippines, Thailand, Turkey, Viet Nam); and UNDP in 3 (Brazil, Nigeria, and Indonesia).

(b) The World Bank is a cooperating agency in Argentina and Indonesia and UNIDO in Indonesia and Nigeria.

(c) The bilateral agency of Germany (GTZ) is a cooperating agency in the NPP for Brazil, and Sweden (SIDA and SEI) for the NPP in the Philippines.

13. Guidelines for the Preparation, Implementation and Management of Performance-Based Sector and National ODS Phase-out Plans were approved at the 38th Meeting of the Executive Committee. Their objective was to improve consistency in those aspects that over the last several years had not been dealt with uniformly, while recognizing that situations in countries vary and needs are different. In this context, the NPPs implemented in the 12 countries reviewed as part of this desk study show a great degree of similarity and convergence although variance exists both in NPP format and substance. Style, length, and presentation of national phase-out plan
project documents vary between the agencies. Despite the variations, most of the NPP project documents correspond to the requirements set out in the NPP Guidelines, and also reflect the internal requirements, policies and/or standard practices of the lead agencies themselves. They follow a similar structure and format in each country where the specific IA is lead agency. In addition, minor changes in the format of NPPs were observed over time, due mainly to new or additional decisions of the Executive Committee.

14. It remains important that the NPPs adequately address the national conditions for ensuring that responsibilities are clearly assigned, that the stakeholder community is engaged and takes ownership of the implementation process, and that the institutional framework specified will ensure cost-effective and sustainable results. The MYAs that govern the NPPs work on the basis of agreed baselines of eligible consumption of controlled substances. Monitoring and reporting of progress and verification of the achievement of reduction targets are thus essential features that require close scrutiny. Whereas funding for MYAs is calculated on the basis of agreed baselines for eligible consumption of controlled substances, countries remain responsible for the phase-out of all of their consumption, whether eligible for MLF funding or not.

III.2 Documentation Reviewed and Consultations with Implementing Agencies

15. This desk study reviewed 12 “country packages”. Each country package included the following documents:

(a) The NPP proposal document;
(b) The National or Sectoral Phase-Out Plan Agreements;
(c) The related Executive Committee Decisions;
(d) The reports on annual programme implementation submitted by the relevant implementing agencies;
(e) The Project Evaluation Sheet for each annual programme;
(f) Annual progress reports;
(g) The Progress Report Remarks for each project under the plan;
(h) Project overview tables and statistical summaries using data from the inventory of approved projects.

16. The preliminary findings from the desk study were discussed on an ongoing basis with staff of the Fund Secretariat in Montreal, with UNDP and the World Bank during meetings held on 18 and 19 December 2006, with UNIDO on 15 January 2007, and with the IAs collectively during an inter-agency meeting in Montreal on 16 January 2007. Comments received on the draft desk study were taken into account when finalizing the document.
III.3 Evaluation Issues Identified

17. The earlier desk study and follow up case studies, as well as Decision 45/11, had identified the following issues for further analysis that defined the focus of this study:

(a) Efficacy of the institutional framework in terms of division of work and coordination between the national ozone unit (NOU), project management unit (PMU), financial intermediary, implementing agency, and national ozone committee including analysis of start up problems and delays of activities and disbursements.

(b) Roles and responsibilities of the designated focal points in the various Ministries and Government agencies involved, enhanced stakeholder buy-in and country driven approach.

(c) National versus project-by-project or sector approach in plans implemented by several agencies.

(d) Quality, consistency, and uniformity of Annual Implementation Reports (AIRs) and Annual Implementation Programmes (AIPs).

(e) Actual use and usefulness of the Guidelines on the preparation, implementation and management of performance-based sector and national phase-out plans approved at the 38th Meeting of the Executive Committee.

(f) Practicality and use of the flexibility clause for changing the composition, costing and timing of activities in the context of Decisions 45/15 and 46/37 of the Executive Committee.

(g) Verification methods, independence and qualifications of auditors, associated costs, possibility of using less expensive alternatives, and adequacy of the current Guidelines approved by the 46th Meeting of the Executive Committee (decision 46/38).

IV. Institutional Set-Up, Management and Coordination

IV.1 The Institutional Framework

18. Regarding institutional frameworks, the early NPPs do not refer to the creation of a distinct unit (PMU, or equivalent) or its assigned responsibility for the delivery of the NPP. In some cases, for example Venezuela, there is a reference to the creation of a dedicated team for the refrigeration sector but no mention of the NPP management regime overall. For Indonesia, the NPP is an aggregation of on-going sector phase-out plans with several implementing agencies. These include refrigeration manufacturing and servicing (UNDP), aerosol and MAC service sector (World Bank) and solvents (UNIDO).

19. Only plans implemented by the World Bank specifically refer to the creation of a PMU (examples are Malaysia, Philippines, Thailand and Viet Nam). UNDP's NPP documents typically refer to the "early start up of an implementation and monitoring unit" or make reference to “implementation units” or an “implementation team”, and to management by a dedicated
UNEP/OzL.Pro/ExCom/51/13

team. UNDP also notes that in their project documents for sector plans, there is reference to a Sector Management and Coordination Unit and its allocated budget. An ‘Operational Mechanism for Implementation’ document spells out the institutional framework, operational procedures, monitoring and reporting, as well as the execution responsibilities among the stakeholders (IA, NOU, PMU, recipient enterprises). UNIDO’s NPP document format, in general, makes no reference to a PMU (examples are Argentina, Egypt, Libya, Venezuela) or other management regime. UNIDO appears to rely instead on the existing NOU capacities. The management regime is described in Appendix 5-A of the Agreement for each NPP where responsibilities are assigned. This may satisfy the Guidelines’ call for the delineation of “the management of the supply and demand of ODS in the country to achieve the objectives of the proposal”.

20. Although none of the NPPs themselves contain a comprehensive management and accountability framework, for UNDP and the World Bank this is set out in a ‘Responsibility and Accountability Framework’ or ‘Project Implementation Manual’. The situation with respect to UNIDO requires further investigation.

21. UNDP and the World Bank indicated that PMUs offer important advantages. UNDP noted that the terms of reference (TORs) for PMU staff spell out clear responsibilities, accountabilities and performance expectations. Staff are contracted via the IAs and dedicated to a specific function, and therefore will not be called upon to undertake unrelated responsibilities or activities as is often the case with Ministry staff. The World Bank noted that the PMU approach permitted a more streamlined project implementation because of a certain degree of autonomy from the normal government decision-making processes. The Bank also noted that on a procedural level, the Bank cannot disburse funds to pay government employees, hence the need for contractors under the PMU. Another observation was that staff hired for the PMU has specialized and technically relevant skills, whereas this may not always be the case for staff assigned to the ozone units by the Ministry.

22. There are also some acknowledged downsides to the PMU approach that are related to additional costs and the risk that the PMU may not be funded after 2010, whereas the NOU is likely to be needed for further monitoring and phasing-out of TCA, methyl bromide and for work on HCFCs. It will be essential to ensure that the capacity building, especially with regard to working with the private and informal sectors, is not confined to the PMU but communicated on an ongoing basis to the NOU as well.

23. There is also the general management question of the cost-effectiveness of alternative PMU frameworks. Three PMU models appear to be in use, whose efficacy and associated costs need to be explored further with a view to possible future adjustments to the Guidelines. The three models are as follows:

(a) the PMU is a designated sub-set of the NOU working in the same office, as for example in Indonesia and India;

(b) the PMU is located in different offices, but works under the direct supervision of the NOU head, as for example in Malaysia; and

(c) the PMU is separate and reports directly to senior management of the Ministry of Environment, as for example in Thailand.
24. The NPPs implemented by the World Bank are in general quite clear on the division of responsibility between the IAs, including bilateral partners, as well as between the NOU and PMU. UNIDO’s NPPs are not clear on the division of responsibility between UNIDO and any cooperating IAs and the NOU. Reference to division of work between other stakeholders is very vague or non-existent. The project documents for the NPPs implemented by UNDP are in general quite vague on the role of the different stakeholders, except for the sectors or tasks assigned to other agencies. Such information, however, appears to be available in other documents prepared by UNDP, in particular the Terms of Reference for PMUs.

25. None of the NPPs reviewed address responsibilities of other entities (Financial Intermediaries (FIs), participating agencies, national institutions, etc.). However, in the case of the World Bank, this information is set out in the Project Implementation Manual for each country concerned, which also defines the role of the beneficiary companies. For UNDP, it is described in an ‘Operational Mechanism for Implementation’ document (as in the case of Indonesia). In general little, if any, information is available in the project documents of the NPPs and AIPs pertaining to coordination between the stakeholders, which requires further investigation.

IV.2 Flexibility Clause

26. Decisions 45/15 and 46/37 clearly define the procedures applying to the flexibility clauses in NPPs. They establish which major changes need to be outlined in the AIP and to be brought to the Executive Committee for consideration before approval. Any minor changes can be reported after implementation. With the exception of the AIP for the fifth tranche for Brazil, where there is a reference to the use of the flexibility clause to re-orientate some activities, there is no evidence in the Annual Implementation Plans (AIPs) of such reporting and only in some instances, cost changes are mentioned.

27. In one case, it was reported that due to substantial differences between the estimated and actual prices of CFC recovery equipment instead of 3,000 sets of equipment only 2,000 could be procured. In addition, a substantial amount of money from another sub-sector was transferred to make up for the higher cost of the recovery equipment. Though these changes were mentioned in the annual implementation report, no explanation was given as to the impact on the phase-out or other consequences of reducing the equipment supplied to the stakeholders by as much as 33%. It could also not be determined whether the change in equipment supply and the substantial reduction in funding of the other sector was final or subject to some future adjustments.

28. For NPPs implemented by the World Bank, the Agreement between the Country and the Executive Committee and the Grant Agreement (GA) that the Bank signs with the Country place limitations on the application of the flexibility clause. The GA refers to Executive Committee policies and then categorizes planned expenditures in 4-5 categories based on the NPP and any other MLF project falling under the GA. Historically, balances of funds not used at the end of the Agreement are returned to the MLF via the Bank. This has been the case for individual projects but not for multi-year agreements (MYAs) to date. UNIDO’s view is that all decisions and guidelines of the Executive Committee on eligibility apply also to the MYAs and that this needs to be clearly communicated to all countries concerned.

29. UNDP has a broader interpretation, that allows the flexibility clause to be used to fund, for example, the phase-out of foam production facilities created after July 1995 that are ineligible
for funding as individual projects. UNDP notes that this was clearly presented in the project proposal for Brazil that was approved by the Executive Committee although funding was calculated solely on the basis of eligible consumption. Some countries feel that they must offer some financial assistance to these firms or risk law suits which can seriously disrupt the overall phase-out programmes. Whether or not this is an appropriate use of the flexibility clause is debatable and needs to be clarified.

30. The following issues need further evaluation and discussion:

(a) Whether under the flexibility clause countries are entitled to hold funds for post 2010 ODS phase-out related expenditures;

(b) Whether the flexibility clause allows funds to be used for funding conversions where plants were established after July 1995;

(c) Whether there have been cases where major changes have taken place without prior approval by the Executive Committee and minor changes that were not reported in the annual implementation reports;

(d) What format should be used for reporting on these issues in order to ensure its usefulness for the Executive Committee, the country and the stakeholders involved.

31. The IAs were supportive of the idea of reporting on the use of the flexibility clause in the annual implementation reports, as applicable.

IV.3 Coordination Among Agencies

32. The lead IA has the responsibility of ensuring that any required coordination takes place. In some countries, there is no evidence of systematic planning for coordinating activities for each tranche or in conjunction with the overall plan. Such coordination is not needed to the same degree if the phase-out activities are well orchestrated by the NOU.

33. During discussions with the IAs on the topic of coordination it was noted that:

(a) There are no Memoranda of Understanding (MOUs) or other formal documents with regard to in-country coordination between IAs. One exception being the Philippines where there is a formal agreement between the World Bank and the Government of Sweden according to which the Bank is channelling the funds of the Swedish International Development Agency (SIDA) to the Philippines. There is an additional agreement between the Philippines and the Bank covering the SIDA component of the NCPP. For the World Bank, any subcontracting of activities is undertaken pursuant to a legally binding agreement as part of standard Bank policy. The general sense was that further formalization of arrangements for coordination is not needed;

(b) UNIDO noted that in many cases the countries have decided how they will undertake coordination, which is ensured through regular contacts with stakeholders rather than formal agreements;

(c) Many countries have established a high level steering committee which
coordinates the implementation of the NPP. In some countries (example Indonesia), coordination is carried out on a sector-specific basis;

(d) UNDP and the World Bank noted that an effort has been made to conduct joint missions with a view to facilitating coordination but this has often not worked due to the difficulty of coordinating staff travel plans due to unforeseen travel impediments;

(e) Coordination is difficult with UNEP’s CAP as other implementing agencies reported that they are often unaware of CAP activities in the countries they are working in, and that advice provided to the countries by CAP staff can create confusion if it is contradictory to the lead agency’s policies. It was therefore suggested that CAP staff should confine interventions to the smaller countries in need of additional assistance.

34. It is important to note that the desk study revealed no evidence of serious problems that have arisen as a result of a lack of coordination. Similarly, there was no evidence of implementation delays or difficulties due to frictions amongst IAs.

V. Phase-out Achieved, Cost-Effectiveness, Delays and Sustainability

V.1 Phase-out Achieved and Cost Effectiveness

35. Table 2 presents the phase-out planned and accomplished to date for the twelve countries analyzed. Typically, for the first two tranches there is little or no phase-out expected and approved, as this period is needed to establish the institutional infrastructure and to start up activities. The numbers of approved and completed tranches are shown in Table 1 in Section II.1 above.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Phase-Out Approved As Per Agreement</th>
<th>Phase-Out Approved As Per Agreement Up To 2005</th>
<th>Phase-Out Approved As Per Agreement Up To 2007</th>
<th>Total Phase-Out Approved for Tranches</th>
<th>Total Phase-Out Achieved for Tranches</th>
<th>Baseline</th>
<th>2005 Consumption</th>
<th>2005 Consumption as percentage of baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>1,810</td>
<td>100</td>
<td>700</td>
<td>302</td>
<td>100</td>
<td>4,697.2</td>
<td>1,675.5</td>
<td>36%</td>
</tr>
<tr>
<td>Brazil</td>
<td>5,801</td>
<td>2,731</td>
<td>4,801</td>
<td>4,801</td>
<td>3,751</td>
<td>10,526.0</td>
<td>967.0</td>
<td>9%</td>
</tr>
<tr>
<td>Egypt</td>
<td>537</td>
<td>190</td>
<td>472</td>
<td>372</td>
<td>0</td>
<td>1,668.0</td>
<td>821.2</td>
<td>49%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3,730</td>
<td>1,827</td>
<td>3,730</td>
<td>2,541</td>
<td>1,567</td>
<td>8,333.0</td>
<td>2,385.0</td>
<td>29%</td>
</tr>
<tr>
<td>Libya</td>
<td>451</td>
<td>274.5</td>
<td>438.9</td>
<td>274</td>
<td>274</td>
<td>716.7</td>
<td>252.0</td>
<td>35%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1,911</td>
<td>1,193</td>
<td>1,402</td>
<td>1,313</td>
<td>722</td>
<td>3,271.1</td>
<td>661.5</td>
<td>20%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2,490</td>
<td>1,533</td>
<td>2,225</td>
<td>1,782</td>
<td>865</td>
<td>3,650.0</td>
<td>466.1</td>
<td>13%</td>
</tr>
<tr>
<td>Philippines</td>
<td>2,018</td>
<td>509</td>
<td>1,565</td>
<td>689</td>
<td>540</td>
<td>3,055.9</td>
<td>1,014.2</td>
<td>33%</td>
</tr>
<tr>
<td>Thailand</td>
<td>3,108</td>
<td>1,738</td>
<td>2,190</td>
<td>2,178</td>
<td>972</td>
<td>6,082.1</td>
<td>1,259.9</td>
<td>21%</td>
</tr>
<tr>
<td>Turkey</td>
<td>977</td>
<td>827</td>
<td>977</td>
<td>990</td>
<td>856</td>
<td>3,805.7</td>
<td>132.8</td>
<td>3%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,035</td>
<td>0</td>
<td>250</td>
<td>50</td>
<td>0</td>
<td>3,322.4</td>
<td>1,658.4</td>
<td>50%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>259</td>
<td>0</td>
<td>165</td>
<td>205</td>
<td>0</td>
<td>500</td>
<td>234.8</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: Inventory of approved projects (November 2006), Progress Reports (2005), and Article 7 data (CP data for Venezuela).
36. When the phase-out planned and achieved is compared with 2005 consumption data it can be seen that several countries, including Brazil, Malaysia, Nigeria, Thailand and Turkey have, for reasons not clearly discernible in the annual implementation reports, far exceeded their phase-out targets. In the case of Brazil and Turkey, the remaining CFC consumption is about 9% and 3% of their baseline consumption respectively. There are also a few countries, such as Egypt, Indonesia and Libya, where part of the CFC consumption is not covered by the approved NPP. Unless there are quantities pre-approved for activities outside the NPP, such as CFCs in MDI phase-out projects, additional efforts by the countries may be needed to meet their obligations under the Montreal Protocol. Such situations are not addressed in the annual implementation reports.

37. There has so far never been a case of a funding request for an NPP tranche not being approved by the Executive Committee because the phase-out target for the previous one has been missed. However, in some cases the approval of the next tranche was delayed when the status of the phase-out could not, or had not, been verified in time before the submission of the tranche to the Fund Secretariat.

38. The primary effectiveness measurement tool is cost effectiveness, that means cost per kg of ODS phase-out. Table 3, which follows, outlines the average cost effectiveness of tranches to date.

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Agency</th>
<th>Cost-Effectiveness of the Agreement (US $/Kg)</th>
<th>Cost-Effectiveness of the Completed Tranches (US $/Kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO/IBRD</td>
<td>4.07</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>Brazil</td>
<td>CFC Phase-Out Plan</td>
<td>UNDP/Germany</td>
<td>4.60</td>
<td>6.28 6.28</td>
</tr>
<tr>
<td>Egypt</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>5.77</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Sectoral Phase-Out Plan (ODS)</td>
<td>UNDP/IBRD/UNIDO</td>
<td>5.53</td>
<td>19.75 12.99</td>
</tr>
<tr>
<td>Libya</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>5.54</td>
<td>10.00 8.39</td>
</tr>
<tr>
<td>Malaysia</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>6.03</td>
<td>11.73 7.78</td>
</tr>
<tr>
<td>Nigeria</td>
<td>CFC Phase-Out Plan</td>
<td>UNDP/UNIDO</td>
<td>5.27</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>Philippines</td>
<td>CFC Phase-Out Plan</td>
<td>IBRD/Sweden</td>
<td>5.24</td>
<td>13.05 2.90</td>
</tr>
<tr>
<td>Thailand</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>4.74</td>
<td>11.38 2.97</td>
</tr>
<tr>
<td>Turkey</td>
<td>CFC Phase-Out Plan</td>
<td>IBRD</td>
<td>9.21</td>
<td>9.23 7.07</td>
</tr>
<tr>
<td>Venezuela</td>
<td>CFC Phase-Out Plan</td>
<td>UNIDO</td>
<td>6.03</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>ODS Phase-Out Plan</td>
<td>IBRD</td>
<td>4.87</td>
<td>N/A N/A</td>
</tr>
</tbody>
</table>

39. These figures indicate that the NPPs are very cost-effective as they are significantly below the cost-effectiveness thresholds that are applied for most sectors under the traditional project-by-project approach.

V.2 Implementation Delays and Difficulties

40. Actual or perceived implementation delays, including those related to disbursements, often act as a flag that implementation difficulties are being encountered and that activities are not unfolding as planned. However, since interpretation of the data varies, the issue deserves further analysis.
41. The review of the documents available and the statistics compiled by the Secretariat show the following situation set out in Table 4 below for the 12 countries analyzed with respect to disbursements and obligations.

### Table 4 - Status of Funds versus Anticipated Phase-out

<table>
<thead>
<tr>
<th>Country</th>
<th>Agency</th>
<th>Approval Date for Plan</th>
<th>Funds approved to date for tranches</th>
<th>Funds disbursed to date</th>
<th>Degree of Disbursements</th>
<th>Degree of Disbursements + Obligations</th>
<th>Degree of funds disbursed and estimated to be disbursed by end 2006</th>
<th>Degree of phase-out anticipated based upon approved Tranches (as per A7 or CP data)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>UNIDO / IBRD</td>
<td>Apr-04</td>
<td>6,193,500</td>
<td>733,553</td>
<td>12%</td>
<td>24%</td>
<td>25%</td>
<td>33%</td>
</tr>
<tr>
<td>Brazil</td>
<td>UNDP/ Germany</td>
<td>Jul-02</td>
<td>25,480,000</td>
<td>9,414,771</td>
<td>37%</td>
<td>37%</td>
<td>58%</td>
<td>78%</td>
</tr>
<tr>
<td>Egypt</td>
<td>UNIDO</td>
<td>Jul-05</td>
<td>2,200,000</td>
<td>13,834</td>
<td>1%</td>
<td>1%</td>
<td>23%</td>
<td>0%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>UNDP / IBRD / UNIDO</td>
<td>Dec-04</td>
<td>19,779,588</td>
<td>7,687,498</td>
<td>39%</td>
<td>58%</td>
<td>62%</td>
<td>62%</td>
</tr>
<tr>
<td>Libya</td>
<td>UNIDO</td>
<td>Dec-03</td>
<td>2,220,000</td>
<td>1,269,243</td>
<td>57%</td>
<td>89%</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>10,692,005</td>
<td>5,615,123</td>
<td>53%</td>
<td>91%</td>
<td>87%</td>
<td>55%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>UNPD / UNIDO</td>
<td>Nov-02</td>
<td>11,005,283</td>
<td>2,903,660</td>
<td>26%</td>
<td>44%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Philippines</td>
<td>IBRD / Sweden</td>
<td>Nov-02</td>
<td>10,127,693</td>
<td>1,642,869</td>
<td>16%</td>
<td>100%</td>
<td>30%</td>
<td>78%</td>
</tr>
<tr>
<td>Thailand</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>13,243,626</td>
<td>2,888,254</td>
<td>22%</td>
<td>94%</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>Turkey</td>
<td>IBRD</td>
<td>Dec-01</td>
<td>9,000,000</td>
<td>6,051,124</td>
<td>67%</td>
<td>94%</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>UNIDO</td>
<td>Apr-04</td>
<td>3,526,893</td>
<td>791,195</td>
<td>22%</td>
<td>47%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>IBRD</td>
<td>Apr-05</td>
<td>1,081,537</td>
<td>0</td>
<td>0%</td>
<td>46%</td>
<td>37%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Progress reports

42. Seven countries have disbursement rates of 30% or less (Argentina, Egypt, Nigeria, the Philippines, Thailand, Venezuela, Viet Nam) and only one country (Turkey), which has one of the earliest phase-out plans, has disbursed more than 60% of funds approved for tranches so far.

43. Although more recently approved NPPs show generally low disbursement figures, this is also true for some earlier ones. The low average levels of disbursement for approved tranches in the 12 countries suggest that the majority of the phase-out plans in the countries covered by this desk study are experiencing delays and that disbursement schedules as per the Agreements have been frontloaded. However, the obligations plus estimated disbursements until the end of 2006 are much more closely aligned with the degree of phase-out anticipated based upon approved tranches.

44. Several progress reports note, as reasons for delays, the need to introduce new or additional legal and institutional measures, to reach decisions on location and reporting lines for PMUs, obtain agreement on staffing levels and salaries, and to recruit staff; build the requisite stakeholder consensus, assign responsibilities and establish monitoring systems. These are necessary steps which are sometimes likely to create delays but it is questionable whether these are really delays or just underestimations of the time required for such tasks. Unfortunately, the documents reviewed do not describe, in specific terms, what new processes and procedures were created and how they affected delivery. This element will require further investigation with a view to determining whether any revisions of the Guidelines are required. Other reasons given for delays are:

(a) The need for exercising sound management (holding off on disbursements for training until licensing legislation is in place, for example);
45. IAs contend that annual implementation plans indicate planned activities as part of the rolling plans, which are generally not advancing in a linear way and that the completion dates of annual tranches are artificial. Implementation delays and difficulties need to be evaluated from several perspectives:

(a) Phase-out planned and achieved, as per verification;
(b) Planned and reported completion dates for tranches;
(c) Activities planned and completed;
(d) Status of actual disbursements, and disbursement to whom;
(e) Status of obligations that will result in disbursements until the end of the current year; and,
(f) Scheduled and actual submission of the next tranche.

46. The conclusion that can be drawn from this desk study is that the issue of implementation delays and difficulties has several dimensions and that the phase-out programmes reviewed are, in general, on target in terms of ODS phased out. Further analysis is needed with regard to the other indicators. This might also help the process of reviewing future funding requests for new tranches of MYA in the Secretariat, which would not anymore be subject to the implementation delay monitoring system applied to individual projects, if the recommendations in UNEP/OzL.Pro/ExCom/51/14 were approved.

V.3 Sustainability

47. Sustainability of NPP’s is understood to mean the achievement of the phase-out targets as scheduled and maintenance of the targets beyond the duration of the agreement. Sustainability does not follow automatically. The implementing agencies need to assist the PMU and NOU in the development and implementation of the associated legislation and regulations and these need to be supported by capacity building, institutional strengthening, stakeholder participation and development of ownership at the level where problems are to be solved. It is thus necessary to ensure that the NPP is mainstreamed into the national plans and policies of the country which requires cooperation with other Government agencies. However, too many actors might create confusion and increase the assistance beyond the useful level.

48. Sustainability is also linked to the timely elimination of remaining ODS demand until 2010, except for servicing needs which should be covered with recovery and recycling schemes
and stockpiles to achieve the phase-out as scheduled, and to maintain it beyond the duration of
the agreement. Further investigation is required with regard to sustainability risks, including risks
of re-conversion and possible remediation measures.

VI. Planning and Reporting

VI.1 Agreements and Annual Implementation Plans (AIPs)

49. Besides defining the annual CFC/ODS phase-out targets and corresponding funding
schedules, the first phase-out plans approved at the 35th Meeting of the Executive Committee
(NPPs for Malaysia and Thailand and a CFC-phase-out plan for Turkey, all with the World
Bank) and at the 37th Meeting of the Executive Committee (national CFC phase-out plan for
Brazil implemented by UNDP with Germany) included the following points:

(a) The annual work programme should include a detailed description of the activities
implemented in the previous year as well as those to be undertaken in the year of
plan with corresponding expenditures and a report on any changes that have been
made from the original plan and budget.

(b) The country agreed to allow for:

(i) independent technical audits administered by the implementing agency;

(ii) periodic mid-term examination, every 2-3 years, to be implemented as part
of the annual monitoring and evaluation work programme of the Fund;

(c) Flexibility for the country to use the funds in a manner believed to achieve the
smoothest and most efficient phase-out of the ODS;

(d) The responsibility of the IA for assisting the country in the development of its
annual work programme, including reporting on achievements of previous annual
programmes (coordinated by the lead IA);

(e) Payments for annual programmes are contingent upon confirmation by the
implementing agency that agreed reduction targets and relevant performance
milestones have been achieved.

50. In the agreement with Brazil approved at the 37th meeting, UNDP as the implementing
agency was made responsible for ensuring performance and financial verification in accordance
with the agreement and with specific UNDP procedures and requirements as specified in the
National CFC-Phase-out Plan for Brazil.

51. The Revised Guidelines approved at the 38th Meeting of the Executive Committee
(Decision 38/65 see para 9) also include a model multi-year agreement. However, according to
sub-paragraph (b) of the decision “the guidelines shall not apply to already approved
performance-based sectoral and national ODS phase-out plans in any regard, since these existing
plans refer to agreements that shall be governed by rules specified in each case”. The multi-year
agreements that were approved at the 39th and subsequent meetings (in the sample selected,
Argentina, Egypt, Indonesia, Libya, Venezuela and Viet Nam) were all based on the revised
guidelines.
VI.2 Annual Implementation Reports (AIRs)

52. No prescribed format exists for presenting annual implementation reports (AIRs). Although many follow the template of the AIPs, they vary considerably in length and structure, which makes judgements about their quality difficult. In the NPP agreements for Malaysia and Thailand, which were approved before the 38th Meeting, reporting on implementation is described within the context of the annual implementation plan. The text from the agreements is as follows: “In the annual work programme, a detailed description of the activities that have been implemented in the previous year as well as those undertaken in the year of plan with matching expenditures and a report on any changes that have been made from the original plan and budget, will be included”. However, in the new agreements the main direct reference to progress reporting is made in the context of the roles of implementing agencies (Appendix 6-A) where they are requested to report on the implementation of the annual programme for the preceding and the current years.

53. In the absence of a specific format for AIRs such reports are included in the AIP as an integral part of the presentation of the annual programmes, under a variety of titles depending on the IA and the country concerned. The progress reports of the 12 AIPs reviewed fall under 9 different titles, including “Achievements versus performance indicators related to the second phase implementation work plan”, “Achievements versus performance indicators related to the second phase implementation work plan”, “2004 Annual programme accomplishments (Actual and Projected)”, “Implementation status of 2005 annual programme”, “Report on 2004-2006 implementation”, etc. The reports generally follow the structure and contents of the AIP and vary a lot in substance and length (from about 12 pages for reports based on the AIP guidelines to about 40 pages for reports on AIPs of the older multi-year agreements).

54. The challenge, therefore, is to harmonize form and content of AIRs in a way that maintains the wealth of information currently produced in most of the reports while at the same time presenting an assessment of results planned and achieved, as well as a clear and brief analysis of the strengths and weaknesses of the implementation of the multi-year agreements. While the need for AIRs that reflect performance and cumulative results of the entire MYA, rather than a particular tranche only, was recognized, a major concern of the Secretariat and IAs was that the current advanced status of most MYAs did not leave much time for preparing, adopting and implementing a new reporting format that would need adequate time to implement. While one agency was more open to streamlining the narrative section of the reports, another was hesitant about any significant changes to the format or structure as this would require new training of PMUs within a limited time-frame. Nevertheless, there appeared to be some readiness on the part of IAs to include sections that would describe issues such as the monitoring required under Appendix 5A of the MYAs and the use of the flexibility clause, which are not dealt with in current AIRs.

VII. Verification Reports

VII.1 Guidelines and Practices

55. The guidelines for verification of national consumption targets of MYAs approved at the 46th Meeting (decision 46/38) offer a simplified and straightforward approach to verifying consumption at the national level. The method is based solely on the Montreal Protocol’s definition of ODS consumption, namely, the amounts produced plus the amounts imported minus
the amounts exported, and does not include assessment of ODS consumption at the enterprise
level. The procedure proposed in the guidelines for verifying ODS consumption can be
summarised as follows:

(a) Review of official statistics on imports/exports, comparing quotas issued against
actual quotas used;

(b) Review of a representative sample of reports from importers/exporters, and where
available, of distributors.

56. Although countries are required to apply these guidelines only after the 46th Meeting, i.e.
for verification of 2005 consumption data, the review of the AIPs submitted showed that the
prescribed method under the guidelines, or variations of the method, have already been used for
verifying consumption data in earlier years. In several of the countries, the verification was
based on a licensing system and or allocation of annual quotas to registered importers. In a few
cases (such as in Thailand and Viet Nam) the ODS import data was compared with export data
obtained from the exporting countries. For most of the countries where the necessary conditions
existed, the methodology was found to be appropriate yielding satisfactory results. However, in
a few other countries such as Indonesia, Nigeria and Venezuela the results were not satisfactory
where they could not be crosschecked with other valid sources of data. In Nigeria and Indonesia
absence of a viable import quota system made the verification more difficult, while in
Venezuela, in spite of the wealth of laws and regulations cited in the report, the results looked
less credible for lack of any supporting data due to what was described as excessive bureaucracy
and lack of access to information from government agencies.

57. Other observations are as follows:

(a) Local rules and customs could define how verifications are performed. Except in
Malaysia where the verification was conducted by the national audit department
(a government agency), the verifications were undertaken in all countries by
consultants or chartered accountants;

(b) Apart from Egypt, where the international consultant who prepared the
verification report was also the technical reviewer of the NPP, it could only be
assumed in most cases that the auditors did not have any links to the preparation
or implementation of the NPPs. UNDP noted that in their search for an individual
or entity to undertake the performance verification, they stress the requirement of
independency (example, Indonesia);

(c) The incorrect use of harmonized customs codes, particularly by customs agents
and importers and their brokers was reported by one country to have resulted in
inaccurate customs data and made reconciliation of import data from different
sources sometimes difficult. However, whether this is a universal problem or
limited to the reporting country could not be ascertained from the documents.

(d) In a number of countries, such as the Philippines, two or more government
agencies were responsible for the control and management of ODS imports and
consumption. There appear to be very harmonious working relations between the
ODS management and control authorities and customs and chemicals control
authorities in most countries in the sample, which should provide a conducive
environment for the verification exercise. However, there may be instances, as in the case of Venezuela, where such relations appear not to exist.

58. The review of the documents showed that the conditions enabling successful verification with limited effort included the following:

(a) Existence of legislative/regulatory authority;
(b) Functional licensing system and/or quota system;
(c) Inter-ministerial/departmental cooperation (Quota issuing authorities, Customs, Chemical control authorities, NOUs);
(d) Knowledge of ODS and ODS control issues (personnel of relevant national institutions, national consultants, importers and other stakeholders);
(e) Access to information within both public and private sectors;
(f) Up-to-date registry or system for tracking importers, manufacturers and dealers in ODS (especially where a licensing system is not in place);
(g) Harmonized customs code for identification of ODS;
(h) Availability of a computerized database with information about licenses and their use.

59. The examination of ODS consumption at the enterprise level is not prescribed within the current scope of the verification. However, in a couple of countries verifying the consumption at this level became necessary in situations where the data from one of the recommended sources was not reliable. In certain cases verification was necessary to determine the fate of the ODS distributed into the system, as for instance in the case of stockpiling. In Egypt and Libya, for example, verification was extended to the enterprise level as another means of crosschecking the consumption data.

60. On the other hand, in some cases a strict adherence to procedures proposed in the guidelines excluded examination of ODS consumption at the enterprise level although this could have improved the level of accuracy of the verified data. During field visits, it may be advisable to determine to what extent this additional enterprise-level examination has added to the quality of the verification and at what additional cost. In countries where monitoring of activities is required under the multi-year agreement, such data would be readily available.

VII.2 Verification of the Monitoring Arrangements at Country-Level

61. In a number of agreements which were approved after the 38th Meeting following adoption of the guidelines for the preparation, implementation and management of ODS phase-out plans, the countries concerned have specific obligations under Appendix 5-A of their agreements to conduct accurate monitoring of the activities under the phase-out plan, including accurate data collection. This monitoring role is usually supported by funding for capacity building, including for computer systems, and is subject also to independent verification. Six of the twelve countries, namely Argentina, Egypt, Indonesia, Libya, Venezuela and Viet Nam, are in this category of countries. The text taken from the Venezuela agreement is as follows: “The
country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9 (of the Agreement).

62. Provisions under Appendix 5-A in each Agreement are tailor-made to address the specific problems and needs as determined by the country and the implementing agencies responsible for the preparation of the project proposals. The provisions assign specific roles to identified institutions as well as the implementing agencies to ensure sound and sustainable implementation of the NPP. The implementation of this part of the Agreement, as designed, could potentially enhance local capabilities for managing the NPP and similar multi-disciplinary activities. For instance, although the provisions were not applicable to Thailand, the country has taken initiatives on its own similar to those that are now being prescribed for other countries under Appendix 5-A to enhance the implementation of its NPP, to ensure sustainability of its policy and institutional measures. Industry associations such as the Thailand Textile Institute (THTI) have been strengthened and empowered through the NPP to take the lead in industry self-regulation and other measures which have led to tangible results. The THTI has developed exposure limits and specifications of ventilation equipment for the local textile industry, with prototype ventilation equipment already installed in a sample of factories and now ready for industrial scale production and distribution. It has also established a data base of local textile and garment factories and publishes a newsletter for the industry.

63. The review of the 2005 verification reports indicated mixed results with regard to treatment of the verification of activities under Appendix 5-A as required under agreements with various countries. In the report for Egypt actions taken with regard to monitoring is described in the verification report under the title “Information related to the project monitoring”. This includes the establishment of a monitoring system through cooperation among three key Ministries and an association of importers. Libya and other countries recognized in their project document the need to fulfil this obligation. According to Libya’s project document the Ministry of Environment would select and hire an independent consultant working in close cooperation with the implementation team to evaluate progress, quality and performance of the NPP implementation, make quarterly status reports and bi-annual reports on consumption data. However, no specific reference to verification of activities under Appendix 5-A of the Libya Agreement or evidence that such verification was undertaken could be found in the verification report.

64. In the case of Indonesia, no specific reference to actions taken with regard to Appendix 5-A is made in the reports on “Policy and Management Support Component” of the 2004 and 2005 implementation programmes. For Indonesia in particular, since the NPP is an aggregate of several sector plans, it is important that this issue is clearly addressed in the verification and implementation reports.

65. With regard to Venezuela it appears that there was no reference to verification of this activity in the TOR agreed between UNIDO and the consultant for the 2005 verification. With regard to Viet Nam, Appendix 5-A covers activities of the Project Management Unit in four key areas, namely regulations, project implementation, public awareness and monitoring. It appears the objective is to enhance the management capabilities of the PMU within an interdisciplinary and inter-institutional setting. The review of the verification report shows that the terms of
reference agreed between the consultant and the World Bank did not foresee a verification of the implementation of activities required under Appendix 5-A.

66. None of the countries for which UNDP is the lead IA falls into the category of countries to which paragraph 6 and Appendix 5-A of the MYAs applies. Nonetheless issues relating to the goals and intent of this section of the MYAs were discussed with UNDP. The monitoring procedures established under this section were found to be useful and could potentially reduce costs and enhance efficiency in data collection and verification.

67. The World Bank noted that although the provisions of Appendix 5-A of the Agreements may carry a cost burden, they can be useful as management and monitoring tools when reflecting appropriately national circumstances and requirements. In Viet Nam, for example, the infrastructure required under Appendix 5-A was stated to have been essentially in place at the time the NPP was approved. Nevertheless, monitoring under Appendix 5-A is not done other than the updating of information on actual amounts of imported CFCs and halons with the Customs Bureau on a quarterly basis. A problem here is that auditing of government institutions by private accountants would not be an acceptable practice in Viet Nam nor in other countries.

**VII.3 Cost of Verification and Selection Criteria for Experts**

68. The cost of verification was generally difficult to determine from the information available from the AIPs. In some of the AIPs this was part of the management cost which is usually not broken down. The cost for two countries where information was available (Egypt and Viet Nam) ranged between US $5,000 and about US $25,000 or about 7.5%-25% of the total management cost.

69. Due to the paucity of information on the cost of verification it was difficult to determine the actual cost within the context of the overall programme management cost and to make a judgment about its cost-effectiveness. In some cases the verification costs appear to include costs associated with other types of verification, such as verification of enterprises as part of routine project appraisal as well as costs of technical audits to satisfy national safety requirements. Additional information has to be sought from the IAs and some of the countries to clarify and determine the actual costs of the verification procedure. However, discussion with IAs suggested that the average cost of verification is US $10,000 – US $15,000 which is not considered prohibitive. Thus verification costs do not appear to be a major concern for non-LVC’s countries.

70. The verification reports do not fully describe the qualifications and expertise of consultants or experts employed to carry out the verification or the selection criteria used for their recruitment. In most cases, a chartered accountant has been used, sometimes in a team with a technical expert, and in other cases only one consultant with one of these qualifications. There is also the need to explore, with the agencies and the countries, whether cost of verification could be reduced by improving the monitoring system and using alternative sources of data that would provide a similar level of assurance as the current verification procedure but at a lower cost.
VIII. Evaluation Field Visit Work Plan

VIII.1 Amended Evaluation Issues

71. As noted in section II.3 above, the earlier desk study and follow-up case studies on NPP evaluations had identified the issues of programme management, monitoring and verification as requiring further analysis. This desk study re-confirmed these findings and, in addition, highlighted the need:

(a) To look at indicators for assessing implementation delays and difficulties. The World Bank noted that examination of delays should be considered in the context of how countries are achieving their overall performance targets as per their agreements with the Executive Committee. The changes in the review of future funding requests for new tranches of MYA and the reporting on their delays suggested in document UNEP/OzL.Pro/ExCo m/51/14 also need to be taken into account once approved by the Executive Committee.

(b) To analyze the coordination foreseen and practiced when several IAs are engaged in sub-sectors of an NPP;

(c) To establish how the flexibility clause is being interpreted and utilized by the countries and the IAs, and how its use is reported upon; the World Bank noted that it is their understanding that the introduction of a new, standardized format would only be applicable to newly approved MYAs.

(d) To assess the prospects for sustaining the phase-out results achieved, including the perspectives for institutional and legal enforcement capacities, in the post 2010 period.

VIII.2 Approach to Field Visits

72. It is suggested that the evaluation should focus on NPPs in a number of non-LVC countries. This may include NPPs which have been under implementation for several years as well as those approved specifically under Decision 38/65 which have had a minimum of two tranches approved as of the 50th Executive Committee.

73. Taking into account the complex character of these plans and the many influencing factors and circumstances that need to be investigated, duration of field visits should be long enough to allow time to solicit views on modality performance and impact from a wide variety of stakeholders (various Ministries, Departments, NOUs, PMUs, private sector, associations, training institutes, SMEs, FIs, etc).

74. Special attention needs to be given to the verification/audit function upon which decisions for funding of the next tranche are based. Data reconciliation and verification, independent or otherwise, will thus need to be closely reviewed and assessed. It may be that there are less expensive mechanisms that could provide an equivalent level of assurance. If so, these need to be explored.

75. Since the focus of this exercise is to assess the efficacies of the management, monitoring and verification of NPPs there are a number of key questions that will need to be posed and answered. A preliminary list of such questions is contained as a checklist in Annex I. It is
important to note that this is not a list of questions for the NOU staff, but a compendium of all questions, and a subset of these will be used in interviews with the various stakeholders.

**VIII.3 Countries to be Visited**

76. The travel plans for the missions relevant to this evaluation will be established by the Senior Monitoring and Evaluation Officer, in consultation with the Ozone Units of the countries to be visited and the Implementing and Bilateral Agencies concerned. Final selection of the countries will depend on the results of these consultations. The selection will use the following criteria to provide balanced information: countries of different sizes and regions; projects implemented by various Implementing and Bilateral Agencies, including cases with several agencies working on different components of one plan; countries with NPPs and sector plans in compliance and others in non-compliance; and different sectors covered by sector plans.
ANNEX I: CHECKLIST OF QUESTIONS

I. National Phase-Out Plan Management

1) Institutional Framework

(a) What is the management structure for the overall ODS program and the NPP in particular? (Country to provide; or, Consultant to prepare, an organizational diagram).

(b) What is the division of labour and nature of the coordination between the NOU, PMU, financial intermediary, implementing agency, and national ozone committee)? Is there a clear and documented indication of responsibilities for each of the stakeholders with a role to play and is there an associated accountability regime in place (MOA etc)?

(c) Does the assignment of responsibilities seem adequate to ensure engagement in a timely manner? Is there a way we can make more transparent who is accountable for what? Do MOAs on such matters currently exist? If not, are they needed?

(d) There are perhaps currently three models of PMU but no cost data to evaluate efficacy. Are PMUs cost-effective? What are the benefits and disadvantages? Should they be encouraged or discouraged?

(e) All agreements reference a government obligation to ensure accurate monitoring of the phase-out. However, agreements approved after the 38th Meeting (Argentina, Egypt, Indonesia, Libya, Venezuela, Vietnam) have in Appendix 5-A of each agreement agreed institutional arrangements for monitoring of the Annual Implementation Plan (AIP) activities under the plan on on-going basis (the idea is also to build capacity and institutional strength). Has this been specifically included in the verification of consumption and monitoring activities of the countries?

(f) Were the proposed institutional arrangements and facilities (such as computer systems, e.g. Egypt, Vietnam) envisioned under Paragraph 6 and Appendix 5-A of the respective agreements to facilitate the monitoring and management of the activities in place at the time of approval of the NPP for the countries concerned or had they to be put in place following approval?

(g) When not available at the time of NPP approval, to what extent has the establishment of the required arrangements and facilities been accomplished, including funding?

(h) Are country-specific monitoring procedures likely to lead to more cost-effective consumption verification for the countries concerned or additional cost burden without added benefits?

(i) Has the assignment of specific roles (for beneficiary countries and IAs respectively) in Appendices 5-A and 6-A of the “new” agreements led to any significant changes in the way the Multi-Year Agreements (MYAs) are managed?
(j) How has the [current] assignment of roles and responsibilities impacted problem ownership and sustainability? How can we know when or where there are not enough or surpluses in support funding? Is there any convenient way of indicating these?

(k) Is a truly national program management approach possible, particularly where several IAs engaged in the same country? If so, what is needed to ensure this approach? Can more of a national (rather than project) approach facilitate stakeholder buy-in? How?

(l) Providing an envelope of funds was to be an incentive. In the view of the Country, has this been the case?

2) Planning and Implementation

(a) Each of the Countries with a MYA has more or less a rolling plan for the phase-out which is usually updated in the annual tranche requests. However, the multi-year plans for activities are not clear from the documentation provided. Can the Countries provide these plans or otherwise make the overall plan more transparent so the larger picture can be better understood?

(b) What is the Country perspective on coordination among IAs, including with CAP? What do Countries think of the role played by CAP?

(c) How can greater stakeholder engagement in monitoring and enforcement be achieved? (Example, can local refrigeration associations be called upon to police their own members and provide sanctions where needed?)

(d) Has the assignment of specific roles (for beneficiary countries and IAs respectively) in Appendices 5-A and 6-A of the “new” agreements led to any significant changes in the way the Multi-Year Agreements (MYAs) are managed?

(e) How has the [current] assignment of roles and responsibilities impacted problem ownership and sustainability? How can we know when or where there are not enough or surpluses in support funding? Is there any convenient way of indicating these?

(f) Is a truly national program management approach possible, particularly where several IAs engaged in the same country? If so, what is needed to ensure this approach? Can more of a national (rather than project) approach facilitate stakeholder buy-in? How?

3) Understanding Delays and Funding Decisions

(a) Either actual or perceived implementation delays, including those related to disbursements often act as a flag to ExCom members that implementation problems are being encountered (the MYA is not unfolding as planned). However, this may or may not be the case and therefore the issue is deserving of
further analysis and Country observation. Also, there is a general agreement that for financial accounting purposes with MLF resources, expenditures = disbursement + obligations. Nonetheless, there are internal differences in the definition of terms between agencies which can confuse a true interpretation of current project financial status. How does the Country view these terms? Are they confusing? Is further clarification required? If so, what?

(b) What is the view from the Countries as to how delays should be interpreted, or, phrased alternatively, how (what parameters) should be used to define delays. Should delays be defined in the context of the bigger (multi-year) delivery picture?

(c) Assessing whether the conditions for releasing the next funding tranche are met is linked to the interpretation of delays which in turn impacts achievement of performance indicators. Should tranche funding be viewed against documented and verified achieved activities (prior-agreed performance indicators) or also take into account the overall phase-out or extent to which the accumulated planned activities have been completed?

(d) All agreements reference a government obligation to ensure accurate monitoring of the phase-out. However, agreements approved after the 38th Meeting (Argentina, Egypt, Indonesia, Libya, Venezuela, Vietnam) have in Appendix 5-A of each agreement agreed institutional arrangements for monitoring of the Annual Implementation Plan (AIP) activities under the plan on on-going basis (the idea is also to build capacity and institutional strength). Has this been specifically included in the verification of consumption and monitoring activities of the countries?

(e) Were the proposed institutional arrangements and facilities (such as computer systems, e.g. Egypt, Vietnam) envisioned under Paragraph 6 and Appendix 5-A of the respective agreements to facilitate the monitoring and management of the activities in place at the time of approval of the NPP for the countries concerned or had they to be put in place following approval?

(f) When not available at the time of NPP approval, to what extent has the establishment of the required arrangements and facilities been accomplished, including funding?

(g) Are these country-specific monitoring procedures likely to lead to more cost-effective consumption verification for the countries concerned or additional cost burden without added benefits?

(h) Providing an envelope of funds was to be an incentive. Has this been the case?

II. Flexibility Clause

(a) Is the flexibility clause being used (other than occasionally related to costs)? If so, how, where, when, why? How significant and how frequent would one expect such situations to arise?
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(b) Has the flexibility clause provisions been used to fund, for example, the phase-out of foam production facilities that were deemed ineligible for funding due to their failing the pre-July 1995 start-up criteria?

(c) Does the Country feel there are any Impediments precluding or restricting their use of the flexibility clause?

(d) In order to avoid future misunderstandings and/or debate, would an inclusion of a formal report (a specific section) on the use of the flexibility clause within the progress report on the implementation of the annual programme be useful?

(e) If so, what should be the objective of such a report in order to ensure its relevance to the ExCom, the country and the stakeholders involved? What should be the format of such a report?

(f) In the context of the flexibility clause provisions, what is the Country perspective on the final disposition of resources that perhaps are perhaps not needed for the MYA up to 2010? Are their any program plans extending to 2013 or beyond where any surplus funds might be needed?

III. Monitoring and Reporting

1) Guidelines for the preparation, implementation and management of NPPs

(a) Earlier NPPs (Brazil, Malaysia, Thailand, Turkey) require description of previous year and current activities and report on why changes – how best to meet this obligation?

(b) Are AIPs in their current format satisfactory to you? What is your perspective on changes needed?

(c) How are IAs assisting countries with AIPs? What are the impacting considerations (country requirements / wishes)?

2) Progress Reports

(a) Has the evolving nature of NPP agreements affected IA approach to progress reporting in two categories (pre and post 38th meeting)?

(b) Is present structure of progress report (embedded in the AIP) adequate or are changes needed?

(c) How should information on investment project implementation be presented so that issues such as the relationships between CFC phase-out, fund disbursement (perceived delays?) and project implementation could be seen in the correct perspective (e.g. Brazil is accelerated phase-out of CFC in the foam sector ahead of project implementation)

(d) How should an ideal progress report look like (volume, content, format style etc)? Are guidelines required?
3) **Flexibility Clause**

(a) Is the flexibility clause being used (other than occasionally related to costs)? If so, how, where, when, why?

(b) Has the specific clause in agreements to the effect that reallocations which are considered as major changes should be accounted for in verification reports and reviewed by the Executive Committee made any difference in the application of the flexibility clause during AIP implementation?

(c) Do IAs have operational modalities governing, precluding or restricting the use of the flexibility clause and if so, are these consistent with decision 46/37?

(d) Is reporting on the use of the flexibility clause needed?

IV. **Verification**

1) **Verification Requirements and Methodologies**

(a) There are 3 differing requirements relating to audits – 35th meeting (Malaysia, Thailand), 35th, 37 and 38 – (Turkey, Brazil, Nigeria, Philippines); and 41, 42, 45, 46 – (Libya, Argentina, Venezuela, Indonesia, Vietnam, Egypt) for the 12 countries in the sample. What has been the impact of differences in conditions on TORs, nature and scope of audits etc.?

(b) Agreements suggest that IAs are in charge of verification but is this the case in all countries (example, Malaysia where verification done by Government auditor)?

(c) Do IAs have a uniform modality for audits in client countries? If not, why not? If so, what are these modalities?

(d) What are the criteria used to satisfy the “independence” requirement for audits?

(e) What are criteria for deciding acceptability of auditors?

(f) Who is responsible for reviewing (and approving) audit reports?

(g) Decision 46/38 sets out a verification methodology. Is this sufficient or are changes to the guidelines needed?

(h) What are the country-based preconditions necessary for proper audits and do these exist in your client countries?

(i) IAs are in some agreements responsible for ensuring performance and financial verification. Current AIPs do not describe how this is/has been done.

(j) What should be the scope of a *technical audit*? (For countries with substantial investment projects and/or many SMEs, should it include verification that clearly identifies progress achieved in project implementation facilitating phase-out in the relevant industrial or SME sector?)
(k) Is the independent technical audit foreseen in some countries (Malaysia and Thailand) carried out annually? What has been the impact of technical audits on NPP implementation and could such audits be done in other countries?

2) Cost of Verification

(a) Cost of verification is only obliquely referenced in AIPs. Can these be provided to assist in evaluation of current requirements and determining feasibility of alternatives?

(b) Can cost of verification relative to project management cost be provided?