



MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Post Meeting Summary of Decisions of the 55th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

Introduction

The 55th Meeting of the Executive Committee, which took place in Bangkok, Thailand from 14 to 18 July 2008, was attended by the representatives of all the Executive Committee member Parties and by participants co-opted from 23 other countries (see attached list). Mr. Albert Rombonot of Gabon presided over the meeting as Chair of the Executive Committee. The Executive Secretary and Deputy Executive Secretary of the Ozone Secretariat, representatives of the implementing agencies, the Co-Chair of the Technical and Economic Assessment Panel (TEAP), and representatives from the Alliance for Responsible Atmospheric Policy and the Environmental Investigation Agency (EIA) also attended the meeting.

Significant items dealing with implementation of activities related to the agreed accelerated phase-out targets for hydrochlorofluorocarbon were addressed at the meeting including a revised paper on cost considerations for financing HCFC phase-out, funding of project preparation requests for HCFC phase out management plans (HPMPs), and an initial paper providing an analysis of issues pertaining to phase-out in the HCFC production sector. The Committee also dealt with its customary programme of work for the second meeting of the year comprising consideration of the 2007 progress reports of the bilateral and implementing agencies, the accounts of the Multilateral Fund, and the evaluation of the 2007 business plans.

The Executive Committee approved investment projects and work programme activities with a value of just over US \$36.1million, plus US \$3 million in support costs for bilateral / implementing agencies, and took a total of 47 decisions. The most significant decisions and discussions are summarized below.

Status of contributions and disbursements (decision 55/1)

The Executive Committee reviewed information on the Fund's balance, income and contributions, and aggregate information on the status for the triennium, including data on gains and losses from the fixed-exchange rate mechanism (FERM). In order to allow funding of several important activities before the end of the current replenishment period in December 2008, the Executive Committee urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible. The Committee also thanked Parties that had already made their 2008 contributions.

Availability of resources (decision 55/2)

During the first part of the meeting, the Executive Committee considered the financial resources available for funding projects and activities and noted that US \$113,739,340 were available for approvals at the 55th Meeting. The balance of funds took into account the return by the World Bank of almost US\$1.2 million in relation to the chiller concessional loan project for Thailand. The importance of identifying such additional income from the return of such loans was recognized and the Executive Committee decided to consider a facility for additional income from loans and other sources to be maintained and the potential uses of those funds at its 57th Meeting.

2008 Business plans and annual tranche submission delay (decisions 55/3)

The Executive Committee noted that US \$41.4 million in activities required for compliance had not been submitted to the 55th Meeting, and that the value of forward commitments approved at the 55th Meeting exceeded the value in the 2008-2010 business plan of the Multilateral Fund by US \$499,306. The level of annual tranches approved at the 55th Meeting amounted to US \$5,111,686 and, as a result, the total level of commitments for the period 2009-2014 would amount to US \$138.2 million.

The 55th Meeting took place against the backdrop of the approaching CFC control measure deadline in January 2010. Bilateral and implementing agencies were requested to submit those activities in the 2008 business plans required for compliance to the 56th Meeting. Letters regarding the 21 tranches not submitted to the 55th Meeting would be sent to countries and agencies encouraging them to submit these tranches to the 56th Meeting, provided that sufficient progress had been made. Seven countries were asked to expedite the implementation of the first tranches of their TPMPs in order to submit the next tranche as soon as possible.

Status of implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol (decision 55/4)

The Executive Committee considered the latest report on the status/prospects of implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol. Of the 27 projects listed with implementation delays at the 55th Meeting, the Executive Committee noted that four had been completed. Letters of possible cancellation would be sent to countries regarding two projects while milestones and deadlines were set for another two projects. One project was cancelled by mutual agreement of the agency and government concerned.

Sixty-nine countries had responded to the second risk of non-compliance assessment carried out by the Secretariat and had indicated that they were confident of their countries' compliance with forthcoming Montreal Protocol control measures. Some Executive

Committee members from Article 5 countries were concerned that the risk indicators used in the assessment gave the impression that countries were not in compliance when in fact they were. The Executive Committee requested a revision of the risk of non-compliance indicators, taking into account comments by the Parties with a view to achieving a consensus on their applicability.

Programme Implementation

Monitoring and Evaluation

Report on standardization of annual work programmes, progress and verification reports of multi-year agreements and on the development of country profiles

The Executive Committee noted information provided on progress in developing the web based data entry system for overview tables on multi-year agreements (MYAs) and the proposed outline for web-based country profiles which would provide easy access to all relevant information concerning a country's phase-out activities supported by the Multilateral Fund.

Desk study on the evaluation of terminal phase-out management plans (TPMPs)

The Executive Committee noted information contained in the desk study on the evaluation of TPMPs in low-volume-consuming (LVC) countries including the proposed evaluation issues and work plan for the second phase of the evaluation, which would be amended based on comments received from Members of the Executive Committee.

2007 Progress reports of implementing and bilateral agencies (decisions 55/5 -55/10)

In order to monitor the implementation of projects, each of the implementing and bilateral agencies provided the Executive Committee with an annual progress report on the implementation of approved projects and activities.

Projects leading to conversion to HCFC-based equipments (decision 55/5(b and c))

The 2007 consolidated progress report prepared by the Fund Secretariat drew attention to the issue of several approved projects that would lead to conversion to HCFC-based equipment. The Committee urged the countries and the companies involved in such ongoing projects to consider using the funding they had received from the Multilateral Fund for conversion to non-HCFC alternatives where possible. Moreover the Fund Secretariat would prepare a report for the 56th Meeting on projects where conversion to HCFC-based equipment was being considered. The report would include a brief assessment of the feasibility of conversion to non-HCFC alternatives.

Chiller projects (decision 55/5(d))

At its 46th Meeting the Executive Committee had established a number of conditions to be applied to chiller projects including the need for the use of financial resources outside the Multilateral Fund. At the 55th Meeting it was reported that some of the chiller demonstration projects approved by the Executive Committee had been delayed pending the securing of co-funding. Given the impending 2010 CFC control measure, the Fund Secretariat was requested to consult the Global Environment Facility (GEF) and the implementing agencies with a view to resolving co-financing issues. A report on progress made in all chiller projects being funded by the Multilateral Fund would be provided to the 56th Meeting of the Executive Committee.

Penalty for not meeting conditions of approval (decision 55/5(e))

After noting concern about the application of the Executive Committee conditions of approval with respect to one agency's disbursement in advance of meeting a condition of approval, the Committee decided that if funds had been disbursed before the stated condition had been met, the implementing agency should bear the support costs associated with the project.

Use of funds for uses of ozone depleting substances (ODS) not controlled by the Montreal Protocol (decision 55/8(j))

The Executive Committee requested UNEP not to use Multilateral Fund resources for activities to identify quarantine and pre-shipment (QPS) uses of methyl bromide unless such activities were directly linked to assisting countries in assessing their Article 7 data and clearly understanding their QPS usage of methyl bromide.

Evaluation of the implementation of the 2007 business plans (decision 55/11)

Implementing agencies' performance in 2007 had been better overall than in 2006 with agencies having met at least 86 per cent of their targets in 2007, compared to 75 per cent in 2006. UNEP's CAP indicated it had met internal targets for the performance indicators unique to the CAP. However, 29 of the 172 CAP special assistance activities planned had not been completed as intended thus the Executive Committee encouraged UNEP to continue to report on the achievement of the special compliance assistance activities and to strive to complete them as planned.

In order to improve the response rate of national ozone units (NOUs) to the qualitative assessment survey, the Committee requested UNEP's Compliance Assistance Programme (CAP), through its regional networks, to include an item in the agenda of each of its network meetings addressing reporting requirements of the Executive Committee, including the qualitative performance questionnaire on agencies' performance.

Report on implementation of approved projects with specific reporting requirements (decision 55/12)

The Executive Committee considered two progress reports on the implementation of approved projects with specific reporting requirements. One report concerned the verification, by the World Bank, of China's commitment to limit its net CFC export to Article 5 countries to no more than 200 ODP tonnes in 2007. The Committee noted with appreciation that exports from China were significantly lower than the agreed limit.

Project approvals (decisions 55/13 – 55/41)

The Secretariat had received funding requests with a total value of US \$94.3 million including new multi-year agreements for approval in principle. One hundred and sixty-eight projects and activities for 109 developing countries were approved at a funding level of US \$36.1 million plus US \$3 million in support costs for implementing agencies. These projects and activities would fund the phase-out of over 1,450.5 ODP tonnes of ODS consumption.

Preparation of HCFC phase-out management plans (decisions 55/13, 55/14, 55/18, 55/19, 55/20, 55/22, 55/27, 55/33)

Based on the deliberations of a contact group, the Executive Committee agreed on a number of outstanding cost issues that enabled the Committee to proceed with the approval of funding for the preparation of HCFC phase-out management plans. The Committee agreed that a discount of 25 per cent would be applied to the HPMP preparation costs of those countries that had already received funding for HCFC surveys. However these countries would have flexibility in utilizing the agreed project preparation funding. The level of HPMP preparation funding for countries that had reported zero HCFC consumption would be US \$30,000 but such countries could submit requests for additional funding for HPMP preparation if levels of HCFC consumption greater than zero were identified during the HPMP preparation process and duly reported under Article 7 of the Montreal Protocol (decision 55/13).

Total funding of US \$16.5 million was approved for 101 countries for the preparation of HCFC phase-out management plans which would address the 2013 and 2015 reduction targets set-out in the agreed accelerated timetable for HCFC phase-out. Given the complexity of the HCFC industry in China, total funding of US \$4.1 million was provided for HPMP project preparation in China on the condition that no further funding would be approved for Stage 1 in China. Since China had already received funding for an HCFC survey, a discount of 25 per cent was deducted from the agency's approved funding.

Other funding approved

Iraq, a new Party to the Montreal Protocol in 2008, received US \$100,000 excluding support costs, for the preparation of a country programme, and national phase-out plan (decision 55/23) plus US \$30,000 for the preparation of a plan addressing the initial targets set-out in the agreed accelerated timetable for HCFC phase out (decision 55/27).

Eight countries received funding for their institutional strengthening (IS) projects amounting

to \$812,989 (one new IS project and 7 renewals). US \$4.6 million of funding, plus US \$449,036 in support costs, was agreed in principle for multi-year plans, CFC terminal phase-out plans (TPMPs) or national phase-out plans (NPPs), in nine countries (Benin, Burundi, Central African Republic, Chile, Guinea, Honduras, Peru, Yemen and Uganda) and first tranches of funding was also approved (decisions 55/15, 55/36, 55/37, 55/39, 55/40). Two countries received funds for preparation of TPMPs (decision 55/17 and 55/24) and a further seven countries received funding for tranches of approved NPPs or TPMPs.

The Executive Committee decided not to approve requests for the preparation of CFC metered dose inhalers (MDI) transitional strategies or CFC MDI conversion projects. In many cases the Committee had concluded that the countries concerned would be able to phase-out the use of CFC MDIs without the need for additional Multilateral Fund assistance (decisions 55/21, 55/25, 55/26, 55/28 to 55/32).

Development of a strategy/methodology for ODS disposal (55/34)

The Executive Committee approved a revised terms of reference and funding of US \$250,000 plus support costs for the study on how to develop a strategy to obtain funding through voluntary carbon markets for the destruction of unwanted ozone depleting substances.

Country Programme

The Executive Committee noted the submission of a revised country programme update by UNEP and UNIDO, on behalf of the Government of the Islamic Republic of Iran.

Phase-out of HCFC in the production sector (decision 55/42)

Preliminary discussions were held based on the document on the HCFC production sector submitted by the Fund Secretariat. Given the complexity of issues in the HCFC production sector an open-ended contact group was formed to discuss the proposed recommendations in a number of areas. The contact group discussed the application of existing guidelines contained in decision 19/6 for the production sector; methods for cost calculations in the HCFC production sector; synchronization of production/consumption phase-out; issues relating to swing plants; and the possibility of inviting representatives of the UNFCCC Secretariat dealing with the CDM to provide information on the CDM process and its relation to HCFC production. Time constraints had limited discussion on the issue of cut-off dates and there was no discussion on the redirection of HCFC production to feedstock use in order to achieve compliance. The Executive Committee decided that the open-ended contact group would continue its discussions at the 56th Meeting of the Executive Committee.

Cost considerations surrounding the financing of HCFC phase-out (decision 55/43)

The Executive Committee held extensive discussions on the issues detailed in the revised version of the Secretariat's analysis of relevant cost considerations surrounding the financing of HCFC phase-out, including substitute technologies, financial incentives and other environmental benefits. Subsequently the Committee established a contact group to discuss the cost considerations of financing HCFC phase-out further. Based on the contact group's deliberations, the Executive Committee set out an extensive decision on the preparation and submission of initial projects to address HCFC uses in aerosol applications, foam and refrigeration manufacturing sub-sectors, fire extinguishers and solvents. The intention would be to enable the Committee to choose projects that best demonstrated alternative technologies and facilitated the collection of accurate data on incremental capital cost and incremental operating costs or savings, as well as other data relevant to the application of the technologies. Mindful of the need to avoid any possible double funding of HCFC consumption phase-out, the quantity of HCFC to be phased out under these initial projects would be deducted from the starting point for sustained aggregate reductions in eligible consumption as set by a country's HCFC phase-out management plan (HPMP).

The Executive Committee noted the limited introduction of several of the HCFC alternative technologies available in Article 5 countries, the variation in costs of the technologies and the need to validate these technologies and adapt them for use in Article 5 countries and asked the Secretariat to gather technical information related to HCFC phase-out in the aerosols, fire extinguishers and solvents sectors on an ongoing basis. The Committee also would consider deferring to its first meeting in 2010 any decision on policies for the calculation of incremental operating costs or savings from HCFC conversion projects, as well as the establishment of cost-effectiveness thresholds, in order to benefit from the experience gained through review of HCFC phase-out projects as stand-alone projects and/or as components of HPMPs prior to that Meeting.

The Executive Committee would continue its deliberations on policy relating to second-stage conversions and determination of the cut-off date for installation of HCFC-based manufacturing equipment, after which incremental costs for the conversion of such equipment would not be eligible for funding. A number of other issues were also left to future meetings: the consideration of individual, regional or multilateral funding mechanisms that might be suitable and compatible as sources for timely co-financing to top up Multilateral Fund ozone funding in order to achieve additional climate benefits; HCFC phase-out technologies that would minimize other impacts on the environment, including on the climate as originally envisaged in decision XIX/6 of the Nineteenth Meeting of the Parties; and, issues relating to whether or not to withdraw prematurely functioning equipment once the 2013 and 2015 HCFC compliance targets had been addressed.

Assessment of the administrative costs required for the 2009-2011 triennium (follow up to decisions 50/27, 51/38 and 54/42)

A report on the assessment of the administrative costs, required for the 2009-2011 triennium, was presented by PricewaterhouseCoopers (PwC). Given the limited time for the Executive Committee to consider the report, the Committee postponed its consideration of the matter to

at the 56th Meeting. In order to facilitate the Committee's work the Secretariat would review the report, and highlight key issues for consideration by the Committee, including the issue of developing a common definition of administrative costs.

CTC (decision 55/45)

At its 51st and 52nd Meetings, the Executive Committee decided to defer consideration of the issue of CTC use as feedstock and process agents and the co-production of CTC in Article 5 countries pending availability of the draft report of the World Bank on the global assessment of CTC phase-out in the chlor-alkali sector and the progress report of the TEAP on its reconsideration of CTC emissions. At the 55th Meeting the World Bank presented the chlor-alkali sector report as document UNEP/OzL.Pro/ExCom/55/49 and the Co-Chair of TEAP provided a verbal update on the TEAP report in response to decision XVIII/10 of the Eighteenth Meeting of the Parties presented at the 28th OEWG in early July 2008. Following some discussion the Executive Committee requested the Secretariat to take into account the information to be provided by TEAP report, as well as any decisions taken at the Twentieth Meeting of the Parties on additional process agent uses, and to provide a report to the 58th Meeting of the Executive Committee on emission reductions and phase-out of CTC in Article 5 and non-Article 5 countries, in accordance with all relevant decisions of both the Meetings of the Parties and the Executive Committee.

Accounts of the Multilateral Fund

Reconciliation of 2006 accounts (decision 55/47)

Decision 54/41(b) requested UNEP to report to the meeting regarding a discrepancy of US \$105,494 recorded in UNEP's financial statement but not in its progress report. The Executive Committee noted UNEP's explanation on the cause of the difference and that UNEP would reduce 2006 expenditures by US \$105,494. Corrective action would also be taken to adjust any such errors that were likely to have occurred in UNEP's 2007 accounts and a system would be put in place for ongoing projects to eliminate the risk of similar discrepancies. The Committee requested UNEP to report to the 56th Meeting of the Executive Committee on progress made in implementing corrective actions as part of the 2007 reconciliation of accounts exercise.

2007 provisional financial statements (decision 55/47)

The Executive Committee noted the Multilateral Fund's 2007 provisional financial statements and that the 2007 final accounts would be submitted to the Fifty-sixth Meeting of the Executive Committee.

56th and 57th Meetings of the Executive Committee

It was confirmed that the Executive Committee's 56th Meeting would be held in Doha, Qatar from 8 to 12 November 2008 while the dates for the Executive Committee's 57th Meeting in Montreal were tentatively set for 30 March to 3 April 2009. The Executive 58th Meeting would either be held in Geneva immediately before the 29th Meeting of the OEWG from 12

to 16 July or 13 to 17 July if the Ozone Secretariat would move the meeting of the Implementation Committee or in Montreal from 6 to 10 July 2009.

Report of the 55th Meeting

A complete record of all decisions made at the 55th Meeting, including those covered in this document, can be found in the 'Report of the Fifty-fifth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/55/53) which is published on the Multilateral Fund's website (www.multilateralfund.org). The report is available in Arabic, Chinese, English, French, and Spanish.

Annex I - Attendance at the 55th Meeting of the Executive Committee

Executive Committee Members	Co-opted countries
Non Article 5	
Australia	Canada
Belgium	Netherlands
Germany	France, Italy and the United Kingdom
Japan	
Romania	
Sweden (Vice Chair)	Austria
United States of America	
Article 5	
China	Indonesia and Malaysia
Dominican Republic	Mexico, Nicaragua and Saint Lucia
Gabon (Chair)	Mali and Morocco
India	Jordan and Nepal
Lebanon	Kuwait, Qatar and Yemen
Sudan	Namibia and Sierra Leone
Uruguay	Argentina, Brazil and Colombia