



MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Post Meeting Summary of Decisions of the 56th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

Introduction

The 56th Meeting of the Executive Committee, which took place in Doha, Qatar from 8 to 12 November 2008, was attended by the representatives of all the Executive Committee member Parties and by participants co-opted from 20 other countries (see attached list). Mr. Albert Rombonot of Gabon presided over the final meeting of his term as Chair of the Executive Committee. The Executive Secretary and Deputy Executive Secretary of the Ozone Secretariat, representatives of the implementing agencies, and a representative from the Alliance for Responsible Atmospheric Policy also attended the meeting.

The 56th Meeting was not only the final Executive Committee meeting of 2008 but also the final of the 2006-2008 triennium. Discussions on the replenishment of the Multilateral Fund for the next triennium would start the following week at the 20th Meeting of the Parties to the Montreal Protocol which was also hosted by the Government of Qatar. Since the 56th Meeting was only 14 months before the deadline for the phase-out of all CFCs by Article 5 countries, the Committee looked closely at whether projects and activities required for compliance were all funded, and reviewed the status of project implementation and countries' risk of non-compliance. High on the agenda was further work on the guidelines for costing of the accelerated phase-out of hydrochlorofluorocarbon (HCFC) consumption and production in a number of sectors. The final report on the evaluation of institutional strengthening projects was also presented and held particular significance regarding future discussions on post 2010 funding of institutional strengthening (IS) projects.

The Committee followed its established programme of work for the third meeting of the year which included consideration of the model rolling three-year business plan which would guide the preparation of the agencies' business plans for the 57th Meeting in 2009, the monitoring and evaluation programme for 2009 and the review of the consolidated project completion report.

The Executive Committee approved investment projects, work programme activities with a value of US \$57,347,247, plus US \$9,956,600 in support costs for bilateral / implementing agencies, and took a total of 72 decisions. The most significant decisions and discussions are summarized below.

Status of contributions and disbursements (decision 56/1)

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). The Committee thanked Parties that had already made their 2008 contributions and urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible, considering that the 56th Meeting was the last Meeting of the current replenishment period. In accordance with decision 54/2, the Secretariat would include information on the arrears in contributions to the Multilateral Fund in the report of the Executive Committee to the 20th Meeting of the Parties.

Availability of resources (decision 56/2)

During the first part of the meeting, the Executive Committee considered the total financial resources available for funding projects at the 56th Meeting, including of the balances returned from completed projects and cancelled projects. A total of US \$1,230,604 was returned by the implementing agencies to the 56th Meeting from such projects.

2008 business plans and annual tranche submission delay (decisions 56/3)

The Executive Committee Meetings reviewed the status of implementation of the 2008 business plans noting that US \$10.67 million in activities required for compliance had not been submitted to the 56th Meeting because 30 of the 64 annual tranches of multi-year agreements (MYAs) due for submission had either not been submitted on time or not submitted at all. Letters regarding the tranches not submitted to the 56th Meeting would be sent to the relevant countries and agencies encouraging them to take actions to expedite the implementation of the approved tranches and so that they could be submitted to the 57th Meeting. The Executive Committee noted that the value of forward commitments approved at the 56th Meeting exceeded the value in the 2008-2010 business plan of the Multilateral Fund by US \$4,326,099. The level of all new annual tranches of MYAs approved at the 56th Meeting amounted to US \$7,546,163 and, as a result, the total level of commitments for the period 2009 to 2014 would amount to US \$240.4 million.

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 56/4)

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 54 projects listed with implementation delays at the 56th Meeting, the Executive Committee noted that 15 had been completed. The Executive Committee cancelled the sectoral phase-out programme to establish a regional halon bank for West and Central Africa and adopted a milestone of project completion and deadline for a foam sector project in the Islamic Republic of Iran.

The Committee also considered the key findings of the risk of non-compliance assessment which indicated that all 83 countries that had responded to the assessment were confident that

they would achieve and maintain compliance with forthcoming Montreal Protocol control measures. Thirty-one Parties had provided comments on the risk assessment and, based on these, modifications to the indicators had been proposed. There was still concern about the use of the indicators and the Executive Committee requested that Parties be given the opportunity to comment on them up until the 57th Meeting. In the meantime the current indicators would remain in operation pending reconsideration at the 57th Meeting after responses had been received from all Parties concerned with regard to the risk assessment.

Model rolling three-year phase-out plan: 2009-2011 (decision 56/5)

The model rolling three-year phase-out plan estimated that the phase-out of 12,197.8 ODP tonnes of ODS consumption and 7,997.0 ODP tonnes of ODS production would need to be funded during the remainder of 2008 and the 2009-2010 period in order to achieve compliance with the Montreal Protocol phase-out targets. For the first time the model also included an analysis of the HCFC consumption and production of Article 5 countries. 2007 HCFC consumption and production reported by 144 Article 5 countries was 26,367.8 ODP tonnes and 30,581.3 ODP tonnes, respectively. The projected level of HCFC consumption in 2013 was estimated at 32,606 ODP tonnes and it was expected that HCFC production levels would follow demand.

The Executive Committee adopted the 2009-2011 model rolling three-year phase-out plan as a flexible guide for resource planning for the corresponding period and urged bilateral and implementing agencies to work with those countries that had been identified as in need of immediate assistance to achieve the 2010 Protocol's phase-out targets and to include activities in their 2009-2011 business plans as appropriate. Agencies and Article 5 countries were also urged to accelerate the pace of implementation of approved but not implemented projects, during the 2009–2011 triennium.

Programme Implementation

Monitoring and Evaluation

Final report on the evaluation of institutional strengthening projects (decision 56/6)

An institutional strengthening (IS) desk study presented to the 54th Meeting had identified important issues that were investigated further during the second phase of the evaluation and reported on in the final evaluation report. Following consideration of the evaluation report the Executive Committee requested the Fund Secretariat to take into account its findings in the review of possible funding arrangements and levels for IS support beyond 2010. The Committee also made a number of requests to the bilateral and implementing agencies and the Fund Secretariat.

Implementing agencies were requested to review procedures for IS fund disbursement and reporting and administrative requirements with a view to minimizing project implementation delays for IS projects while ensuring that accountability for funds disbursed was maintained. In order to facilitate measuring IS achievements against expected results, the Executive Committee requested the Fund Secretariat, implementing agencies and the bilateral agencies, in consultation with Article 5 countries, to agree on a set of objectives, expected results and

indicators, which would be incorporated into future IS extension requests. The Executive Committee also asked implementing agencies to monitor implementation of IS projects and to submit any requests for renewal up to six months in advance of expiry of the existing project in line with Executive Committee decision 19/29. The Fund Secretariat would review the formats for terminal reports and extension requests for IS projects with the aim of rationalizing reporting and project review.

UNEP, through the Compliance Assistance Programme (CAP), would allocate time during network meetings to discuss IS reporting and the importance of requesting renewals on time. UNEP would also develop a training module on policy and technical issues related to the reduction of HCFCs, with technical inputs from the other implementing agencies, for briefings of national ozone units during network meetings.

2008 consolidated project completion report (decision 56/7)

The 2008 consolidated project completion report provided an analysis of project completion reports (PCRs) received by the Fund Secretariat over the previous 12 months. It considered their quality and the timeliness of submission by the implementing agencies and included a section on lessons learned. The Executive Committee requested implementing and bilateral agencies, in cooperation with the Multilateral Fund Secretariat, to establish full consistency of data reported in the PCRs, in the inventory, and in the annual progress reports, to provide the information still missing in a number of PCRs, and to clear the backlog of PCRs for projects completed before the end of 2006, all by the end of January 2009. The Committee invited all those involved in the preparation and implementation of projects to take into consideration the lessons learnt from PCRs when preparing and implementing future projects.

Draft monitoring and evaluation work programme for 2009 (decision 56/8)

Following its consideration of the draft monitoring and evaluation work programme for 2009 and in view of the departure of the Senior Monitoring and Evaluation Officer (SMEO), the Executive Committee approved a reduced budget of US \$75,000 to finalize the draft work programme for 2008 and implement parts of the suggested work programme for 2009: the preparation of the extended desk study on the evaluation of chiller projects; the final report on the evaluation of terminal phase-out management plans; the consolidated project completion report for the year 2009; the multi-year agreement tables; the web-based country profiles; and the multi-year agreement reporting format. The Committee requested the Secretariat in consultation with the Chair and the Vice-Chair, as well as the outgoing SMEO, to engage for 6 months the services of an interim Monitoring and Evaluation Officer who would complete the above mentioned tasks in 2009.

Furthermore the Committee requested the SMEO to prepare and submit a document to the 57th Meeting of the Executive Committee outlining existing terms of reference for the position and briefly summarizing how evaluation functions in other similar fund secretariats and financial institutions were organized and implemented. This would enable the Committee to discuss the priorities and arrangements that might be necessary over the next five years for the monitoring and evaluation programme, and bearing in mind the 2010 compliance period, the size and complexity of the future work, including associated budgetary and institutional

arrangements for carrying out such work, including the possibility of cost effective and independent delivery options external to the Fund Secretariat. A decision on this issue would be made no later than at the 58th Meeting of the Executive Committee.

Report on implementation of approved projects with specific reporting requirements (decisions 56/9, 56/10 and 56/11)

The Executive Committee considered nine progress reports on the implementation of approved projects with specific reporting requirements from the governments of Argentina, Bhutan, China, Colombia, Croatia, Ghana, Kenya and Mexico (2 projects). One report concerned the sector plan of Mexico for phasing out CFC-11 and CFC-12 in the production sector. The Executive Committee commended the Government of Mexico and UNIDO on their good efforts to comply with decision 47/29 regarding the continued monitoring of the CFC production closure and for successfully implementing the audits in 2007 and 2008 to confirm the sustained cessation of CFC production at the Quimobásicos plant in Mexico (decision 56/9).

The Executive Committee also considered a report on progress made in all chiller projects and requested that their discussions be taken into account when preparing a revision of the desk study on the evaluation of chiller projects and the policy paper on "a facility for additional income from loans and other sources" in response to decision 55/2 to be presented to the 57th Meeting (decision 56/10).

Pursuant to decision 55/5 the Fund Secretariat submitted a report on projects where conversion to HCFC-based equipment was being considered which included a brief assessment of the feasibility of conversion to non-HCFC alternatives. The Executive Committee noted the report and asked implementing agencies to discuss with relevant countries the possibility of avoiding the use of HCFCs as replacement technology in conversion activities under phase-out plans where possible. Agencies were also requested to report in their annual implementation reports for multi-year agreements those cases in which HCFC technology was used to replace CFC technology (decision 56/11).

Project review issues

Resubmission of projects not approved by the Executive Committee (decision 56/12)

The Executive Committee decided that project proposals that had previously not been approved by the Executive Committee could not be resubmitted for reconsideration unless new and relevant substantive information was provided. The Secretariat would be able to submit such proposals for consideration by the Committee provided that the new information was provided.

Project approvals (decisions 56/15, 56/17-56/40, 56/44- 56/63)

The Executive Committee approved 116 projects and activities for 65 countries amounting to \$57,347,247 plus US \$9,956,600 support costs. Pursuant to the Committee's decision on the funding structure for the preparation of HCFC phase-out management plans (HPMPs) (see decision 56/16), funding for HPMP preparation was approved for 17 countries, one project in

Jordan for the preparation of a demonstration project for the conversion of HCFC to non-HCFC technology in the manufacturing sector and two projects (Brazil and Mexico) to optimize and validate the use of methyl formate as a replacement of HCFC-141b in foam applications. So far, the Committee has approved funding for the preparation of HPMPs in 115 Article 5 countries.

Other projects included new terminal phase-out management plans (TPMPs) for Guatemala, Guinea-Bissau, Mozambique, Nicaragua, Suriname and Swaziland; tranches of TPMPs or CFC phase-out plans for 13 countries; projects for methyl bromide phase-out for seven countries including three new agreements and one revised agreement, renewal of IS projects in 25 countries plus one new IS project in Timor Leste; non-investment activities for metered-dose-inhaler (MDI) transition strategies in Ghana, India, Indonesia and Pakistan; projects for the phase-out of CFC in the manufacture of MDIs in Argentina, China, Colombia, India and Pakistan. The Executive Committee also approved a bilateral proposal for international methyl bromide compliance workshop for Article 5 countries.

Projects approved at the 56th Meeting would phase-out 4,258.1 ODP tonnes of consumption and 1,793 ODP tonnes of production of ozone depleting substances.

Production Sector

The Executive Committee approved the revised agreement between the Government of India and the Executive Committee on the accelerated phase-out of CFC production in India. The revised agreement supplements the Consensus Agreement for the production sector in India entered into at the 29th Meeting in 1999 and advances the target for CFC production phase-out from 2010 to 1 August 2008.

Cost structure for determining funding levels for preparation of HCFC investment and associated activities (decision 56/16)

At the 56th Meeting, the Executive Committee discussed the remaining aspects of HCFC phase-out management plan (HPMP) preparation and agreed on a funding structure for the preparation of an overall HPMP in line with the guidelines for HPMPs developed at the 54th Meeting (decision 54/39). The Committee defined four components for the HPMP cost structure: 1) assistance for policy and legislation; 2) survey of HCFC use and analysis of data; 3) development and finalization of the HPMP including its stage one to address the 2013 and 2015 control measures, the latter being akin to a terminal phase-out management plan (TPMP) or a refrigeration service sector plan; and, 4) development of investment activities for the HCFC-consuming manufacturing sectors for stage one of an HPMP, if such activities were necessary.

Funding for the first three elements would be based on a country's HCFC consumption levels for 2007 for all countries except China, in line with decisions taken at the 55th Meeting. Funding for project preparation for the fourth element, development of investment activities for the HCFC-consuming manufacturing sectors, would be limited to a maximum level ranging from US\$ 100,000 to US \$400,000 according to a country's HCFC consumption for 2007. Funding would be provided for five manufacturing sub-sectors (air-to-air air

conditioning systems; refrigeration (including all refrigeration, heat pumps and air conditioning sub-sectors except air-to-air air conditioning systems); polyurethane foam; extruded polyurethane (XPS) foam; and solvent uses in manufacturing) based on the total number of enterprises to be converted under HPMP stage one in the relevant sub-sector. The total funding for preparation of sub-sector plans in each sector should not exceed US \$150,000.

Criteria were defined for demonstration projects, according to earlier agreements on cost consideration in decision 55/43 paragraphs (b) to (f) and a funding structure was agreed according to the number of beneficiaries. Requests for preparation funds would have to include a number of details to enable the Executive Committee to select suitable projects as described in decision 55/43 (b).

The Committee asked the Secretariat to apply the cost structure when assessing the eligibility for funding of the different elements of the HPMP preparation, and to propose adjustments to the structure, in particular with regard to investment and associated activities, to the Executive Committee when necessary.

Administrative costs (decisions 56/41 and 56/42)

At the 55th Meeting, a report on the assessment of the administrative costs, required for the 2009-2011 triennium, was presented by PricewaterhouseCoopers (PwC) but due to time constraints, the Executive Committee did not consider it. At the 56th Meeting the key issues arising from the report were considered and the Executive Committee decided to maintain the existing administrative cost regimes for the bilateral and implementing agencies for the 2009-2011 triennium. Implementing agencies were requested to provide sufficient actual data in order to monitor the differences between administrative cost income and the costs incurred (decision 56/41).

The Executive Committee also noted the Fund Secretariat's review of actual administrative costs for 2006 and 2007 estimated core unit costs for 2008 and proposed 2009 costs, and approved 2009 core unit funding as follows: US \$1,857,636 for UNDP, US \$1,857,636 for UNIDO, and US \$1,663,347 for the World Bank (decision 56/42).

UNEP Compliance Assistance Programme (decision 56/43)

The Executive Committee expressed its appreciation to UNEP for its good work under the CAP and for providing a budget that was consistent with the guidelines of the Executive Committee. The Compliance Assistance Programme (CAP) budget for 2009 was approved at the amount of US \$8,490,000 plus agency support costs of 8 per cent (US \$679,200). For future submissions UNEP was requested to continue to provide detailed information on the activities for which the global funds would be used, to expand the prioritization of funding between CAP budget lines to accommodate changing priorities, and to provide details on the reallocations made in its budget following decisions 47/24 and 50/26. UNEP was also asked to report on the current post levels of staff and to inform the Executive Committee of any changes therein particularly in respect of increased budgetary allocations.

HCFC

Phase-out of HCFC in the production sector (decision 56/64)

The Executive Committee continued its discussions on HCFC production sector issues in the open-ended contact group which was initially formed at the 55th Meeting. The contact group was able to make progress and reach consensus on several issues. In preparation for the 57th Meeting, the Fund Secretariat was requested to provide a summary of information publicly available on relevant elements of the operation of the clean development mechanism (CDM) and the amounts of HCFC-22 production available for credits as a first step. The Committee also decided to constitute and convene the production sector sub-group at the 57th Meeting to continue the discussion on HCFC production sector phase-out issues including: the practices and procedures laid out in decision 19/36; the calculation of HCFC production sector phase-out costs; the encouragement of a synchronized production/consumption phase-out as part of the first HPMP; incentives for early phase-out of HCFC production and/or providing disincentives for HCFC production; the requirement for a robust monitoring system, similar to that used for the verification of the CTC phase-out, to monitor facilities that received funding but continued to produce HCFCs for feedstock uses; and, other issues. The Executive Committee would consider the issues of cut-off dates [for funding eligibility] for the production sector at a future meeting and the issue of swing plants, HCFC facilities that use the existing CFC infrastructure, at its 57th Meeting.

Cost considerations surrounding the financing of HCFC phase-out (decision 56/65)

Following earlier discussions at the 55th Meeting, the Executive Committee continued 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. There were different proposals for cut-off dates, including the year 2012, 2007, 2004 or 2000. Regarding second-stage conversions some members were in favour of providing funding while others were of the opinion that decision XIX/6 clearly ruled out full funding. The Executive Committee decided to continue its deliberations on these issues at its 57th Meeting, in light of the mandate provided by the Nineteenth Meeting of the Parties, and the information provided in document UNEP/OzL.Pro/ExCom/56/58.

Accounts of the Multilateral Fund

2007 financial statements (decision 56/66)

The Executive Committee noted the Multilateral Fund's 2007 provisional audited financial statements and the Auditors' request that the attention of the Meeting of the Parties should once again be drawn to the need for the long-outstanding contributions to be paid or written off. The Committee also requested the Treasurer to record in the 2008 accounts the differences between the agencies' provisional and final 2007 accounts.

Reconciliation of 2006 and 2007 accounts (decision 56/67)

The Executive Committee noted that in order to complete the 2006 reconciliation exercise, further updates were required from UNEP on a discrepancy of US \$105,494 recorded in UNEP's financial statement but not in its progress report (decision 54/41(b)) and from the World Bank regarding US \$303 excess in the World Bank's income, to allow the Treasurer to offset that amount from future transfers.

The Executive Committee noted the reconciliation of the 2007 accounts and that the 2007 accounts exercise was pending further explanation to be reported to the 57th Meeting from the World Bank on the shortfall of US \$2,686,741 in its income and from UNEP on the US \$45,161 surplus in its income. UNEP continued to investigate an entry of US \$93,622 in its 2007 final expenditures to explain the difference between the expenditures in its progress reports and in its provisional statement, and would report on the issues to the 57th Meeting.

Budget of the Fund Secretariat (decision 56/68)

The Executive Committee approved the revised 2009 budget of the Fund Secretariat and the proposed 2011 salary component of the budget. On an exceptional basis the Executive Committee allowed the Secretariat the flexibility in the 2008 budget to exceed the 20 per cent limit to reallocate funds among budget lines and move anticipated savings from the sub-contract component to cover the overrun on conference service costs under the Executive Committee line in respect of having held the 55th Meeting of the Executive Committee in Bangkok, back-to-back with the meeting of the Open-ended Working Group of the Montreal Protocol in July 2008.

In view of the departure of the Senior Monitoring and Evaluation Officer (SMEO) in December 2008, the Executive Committee decided that the Secretariat should not expend more than 50 per cent of the amount indicated for temporary senior monitoring and evaluation services and to reconsider the budget for the SMEO position concurrently with its decision on the future priorities and arrangements for the monitoring and evaluation programme to be considered at the 57th Meeting in order to reach a decision no later than the 58th Meeting of the Executive Committee (see also decision 56/8).

Study on financing the destruction of unwanted ODS

In July 2008 the Executive Committee approved a terms of reference and funding for a study to be undertaken by the World Bank, on how to develop a strategy to obtain funding through voluntary carbon markets for the destruction of unwanted ozone depleting substances (decision 55/34). Since there had not been sufficient time to commission and complete the study, the Executive Committee noted the time-table for its completion and that the final draft would be submitted to the 59th Meeting in 2009.

Report of the Executive Committee to the Twentieth Meeting of the Parties to the Montreal Protocol (decision 56/69)

The Executive Committee authorized the Secretariat to finalize the Report of the Executive Committee to the Twentieth Meeting of the Parties. The report would summarize the most important decisions taken by the Committee at its 53rd, 54th, 55th and 56th meetings.

57th, 58th and 59th Meetings of the Executive Committee

It was confirmed that the Executive Committee's 57th Meeting would be held in Montreal from 30 March to 3 April 2009. The Executive Committee also decided to hold the 58th Meeting in Montreal tentatively from 6 to 10 July 2009. The Fund Secretariat had entered into discussions with the Ozone Secretariat about the possibility of holding the 59th Meeting of the Executive Committee back-to-back with the Twenty-first Meeting of the Parties.

Report of the 56th Meeting

A complete record of all decisions made at the 56th Meeting, including those covered in this document, can be found in the 'Report of the Fifty-sixth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/56/64) 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 56th 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	Malaysia
Dominican Republic	Mexico and Saint Lucia
Gabon (Chair)	Mali and Morocco
India	Jordan
Lebanon	Kuwait, Qatar, Saudi Arabia and Yemen
Sudan	Namibia
Uruguay	Argentina, Brazil and Colombia