

Annex II**POSITION PAPER OF JAPAN ON CRITERIA FOR PROJECT FUNDING TO ACCELERATE PHASE-OUT AND/OR TO MAINTAIN MOMENTUM**

As Japan is unable to attend the Sub-Committee on Monitoring, Evaluation and Finance, we would like to seek your understanding on Japan's position on this matter. We strongly hope that the MEF takes into full account Japan's position and reflects it during its discussion so that our delegation will not have to reopen the matter in the plenary session.

Please find below our general comments and amendments to the draft recommendation prepared by the Secretariat contained in the document UNEP/OzL.Pro/ExCom/40/12.

General Comments

1. We do not agree to limit the scope of the discussion on this matter to reallocating funds from the savings achieved in the existing business plan to accelerated phase-out projects. Apart from the Decision 39/6(c), the Executive Committee, in its Decision 39/49, called for the need to approve appropriate criteria for accelerated phase-out projects rather than focusing on the transfer of funds from ordinary projects to accelerated phase-out projects.

2. The draft recommendation does not take into account the right of a contributing party to use up to 20 per cent of its contribution for bilateral projects. The definition of the term "funds that are not required in the current year's business plan" should not include the remaining funds within the limit of 20 per cent reserved for the contributing parties. The reallocation of the remaining funds for bilateral projects should be subject to agreement by the bilateral agencies concerned, in conjunction with their various diplomatic considerations.

3. The draft recommendation seems to give priority to the achievement of compliance targets of Article 5 parties while attaching less importance to "early phase-out" and "momentum maintenance". In order to improve the global protection of the ozone layer, "early phase-out" as well as "momentum maintenance" is of importance equivalent to achievement of compliance targets. Japan therefore would like to propose the adoption of a portion to be allocated to accelerate early phase-out through the redeployment of the identified funds. It should be noted, however, that parties not able to plan early phase-out should not be excluded from receiving funds for the achievement of compliance targets.

4. As "maintenance of momentum" is of the utmost importance and must be taken full advantage of to effectively conduct early phase-out, the criteria regarding "momentum maintenance" should be further developed. Japan proposes to add the following criteria:

- (a) Countries with national legislation to accelerate ODS phase-out;
- (b) Countries with a comprehensive plan of ODS phase-out agreed among all stakeholders; and
- (c) Countries with a financial and technical mechanism to initiate ODS phase-out activities.

5. With regard to the “descending order” mentioned in paragraph 2 of the draft recommendation, Japan would like to delete it. In terms of positive impact on the global environment, the criteria enumerated from (a) to (e) are equally important. New Parties to the Protocol do not need intensive assistance as they are supposed to be in full compliance with the Protocol on the date of accession in accordance with Article 17. In reality, not all of them will be able to come up with accelerated phase-out projects. It would not be realistic to reserve a portion only for these parties for two or three years. It would, therefore, be realistic and reasonable to flexibly consider all the criteria without any order in a holistic manner.

6. We are aware that the Multilateral Fund has approved a considerable number of accelerated phase-out projects. It would be useful if we establish a historical performance of the use of funds for this purpose with the assistance of the Secretariat. We will then be in the position to determine a realistic level of funds for allocation to accelerate phase-out projects, which in turn provides a basis for deciding a portion for accelerated phase-out projects.

**Proposed amendments to the recommendation
(the amendments are indicated as underlined)**

The Sub-Committee on Monitoring, Evaluation and Finance may wish to recommend to the Executive Committee:

1. To adopt a portion to be allocated to accelerate phase-out, taking into account the historical allocation, and to decide to complement the funding of such portion through redeployment of the funds identified as follows:
 - (a) (i) Funds that are not required in the current years business plan of implementing agencies are defined as the difference between the value for each activity in the business plan and the amount approved for them by the Executive Committee;
 - (ii) Funds that are not required in the current year’s business plan of bilateral agencies are defined as the difference between the 20 per cent of their contribution and the amount approved for their bilateral projects*;
 - (b) Funds that are returned from balances, cancellations, and changes in ownership from projects approved during the triennium;
 - (c) Funds from annual tranches that are not approved during the business plan year due to a delay in submission approval.

*The reallocation of (a)(ii) to the funding window is subject to agreement of the bilateral agency concerned.

2. To adopt the following criteria to accelerate phase-out and maintain momentum** ~~in descending order for projects/agreements from:~~
 - (a) Countries for which project preparation has been approved and utilized;

- (b) Countries maintaining the momentum which can be assessed by such criteria as:
 - (i) Countries with national legislation to accelerate ODS phase-out;
 - (ii) Countries with a comprehensive plan of ODS phase-out agreed among all stakeholders;
 - (iii) Countries with a technical and financial mechanism to initiate ODS phase-out activities;
- (c) New Parties to the Montreal Protocol and its amendments;
- (d) Countries with low levels of consumption of methyl bromide, halon and CTC;
- (e) Countries to phase-out ODS production;
- (f) LVC countries that have received an RMP pursuant to Decision 31/48;

** This listing of the priorities does not necessarily imply any order of importance
