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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

BILATERAL COOPERATION

The Fund Secretariat received the following requests for bilateral cooperation:

PROJECT TITLE	BILATERAL AGENCY
HCFC phase-out management plan (stage I, first tranche) in Indonesia	Australia
Europe and Central Asia regional customs cooperation to prevent illegal trade in ODS (first tranche)	Czech Republic
Demonstration project for disposal of unwanted ODS in Mexico	France
HCFC phase-out management plan (stage I, first tranche) in Afghanistan	Germany
Sector plan for phase-out of HCFCs in the extruded polystyrene foam sector (phase I) in China	Germany
HCFC phase-out management plan (stage I, first tranche) in Islamic Republic of Iran	Germany
HCFC phase-out management plan (stage I, first tranche) in Liberia	Germany
HCFC phase-out management plan (first tranche) in Mauritius	Germany
HCFC phase-out management plan (first tranche) in Namibia	Germany
HCFC phase-out management plan (first tranche) in Papua New Guinea	Germany
HCFC phase-out management plan (first tranche) in Seychelles	Germany
Preparation for HCFC phase-out investment activities (foam sector) in Zimbabwe	Germany
Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives to HCFCs	Italy
Demonstration project for conversion from HCFC-22 to butane blowing technology in the manufacture of extruded polystyrene foam at Shanghai Xinzhao Plastic Enterprises Co. Ltd. in China	Japan
Pilot Project on HCFC management and phase-out in the refrigeration servicing sector in China	Japan
HCFC phase-out management plan (stage I, first tranche) in Mongolia	Japan

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Note on the organization of the document

1. This document provides an overview of requests from bilateral agencies, and whether these requests are eligible for approval by the Executive Committee in light of the maximum level of bilateral cooperation available for 2011. It cross-references relevant meeting documents that include a discussion on the bilateral requests, and contains the standard recommendation on the year of assignment for bilateral cooperation.

2. There are three requests that are fully addressed in this document. One submitted by the Government of the Czech Republic on the Europe and Central Asia regional customs cooperation to prevent illegal trade in ODS (first tranche), one project preparation for HCFC phase-out investment activities in the foam sector in Zimbabwe by Germany and the study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives to HCFCs by Italy.

Introduction

3. A total of sixteen projects for bilateral cooperation with a value of US \$8,026,131 (including agency fees) have been received by the Secretariat for approval at the 63rd meeting. One from the Government of Australia, one from the Government of Czech Republic, one from the Government of France, nine from the Government of Germany, one from the Government of Italy, and three from the Government of Japan as shown in Table 1.

Table 1

VALUE AND NUMBER OF PROJECTS FOR BILATERAL COOPERATION, BY BILATERAL AGENCY (including agency fees)

Bilateral Agency	Amount Requested (US \$)	Number of Projects
Australia	339,900	1
Czech Republic	90,965	1
France	565,000	1
Germany	5,171,246	9
Italy	361,600	1
Japan	1,497,420	3
Total	8,026,131	16

REQUEST FROM THE GOVERNMENT OF AUSTRALIA

Introduction

4. Table 2 provides a summary of the request for bilateral co-operation from the Government of Australia. The value of this request (US \$339,900) does not exceed 20 per cent of Australia’s contribution for 2011 (US \$578,542).

Table 2

SUBMISSION FROM THE GOVERNMENT OF AUSTRALIA

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
HCFC phase-out management plan (stage I, first tranche)	Indonesia	300,000	(1)
Agency Fee		39,000	
TOTAL		339,000	

(1) UNEP/OzL.Pro/ExCom/63/34

INDONESIA: HCFC phase-out management plan (stage I, first tranche) (US \$300,000)

5. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/34.

REQUEST FROM THE GOVERNMENT OF CZECH REPUBLIC**Introduction**

6. Table 3 provides a summary of the request for bilateral co-operation from the Government of Czech Republic. The value of this request (US \$90,965) does not exceed the Czech Republic's contribution for 2011 (US 90,974) for 2011.

Table 3

SUBMISSION FROM THE GOVERNMENT OF CZECH REPUBLIC

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
ECA regional customs cooperation to prevent illegal trade in ODS (first tranche)	Europe and Central Asia Region	80,500	*
Agency Fee		10,465	
TOTAL		90,965	

* Individual consideration

REGION: Europe and Central Asia regional customs cooperation to prevent illegal trade in ODS (first tranche) (US \$80,500)Project description

7. The Government of the Czech Republic submitted a project for regional customs cooperation in Europe and Central Asia (ECA) to prevent illegal trade in ozone-depleting substances (ODS). This project, while proposed for bilateral funding, will be implemented by UNEP and linked with the ODS Officers' network for the same region. The proposal is being submitted in line with decision XVII/16 of

the 17th Meeting of the Parties, which encourages further work on the Green Customs initiative of UNEP in combating illegal trade in ODS.

8. This project will build upon the experience from and achievements of the previously approved project “Initiating regional cooperation to enforce ODS trade controls in ECA” approved by the Executive Committee at the 57th and 60th Meetings and implemented in 2009 and 2010. The main activities proposed include organizing meetings of the ECA customs network in 2011 and 2012 to be held back-to-back with regional Green Customs workshops (subject to fund availability) to promote synergies with other trade-related Multilateral Environment Agreements (MEAs) and ensure cost-efficient organization of meetings. The project will also include the promotion of the global informal prior informed consent (iPIC) scheme and the submission of iPIC info sheets, cooperation with other regions and in particular Asia Pacific, and conducting desk-studies of reported import and export data for the ECA region. It will also formally launch the ECA Ozone Protection Award, which is aimed to provide recognition to customs and enforcement officers. The bilingual (English, Russian) ECA enforcement website including the creation of a “one-stop-shop” for customs and enforcement officers with relevant tools and information sources as well as new production of awareness raising brochures for customs and enforcement officers will continue to be maintained.

9. The project is being submitted with a total proposed budget for two years of US \$161,000 plus support costs in the form of bilateral assistance from the Government of the Czech Republic. UNEP will be in charge of project implementation, progress and financial reporting, and the project completion report on behalf of the Czech Republic. The Czech Republic requests the approval of the first tranche of US \$80,500 plus support costs to implement activities for the first year at this meeting.

Fund Secretariat’s comments

10. The Secretariat noted that the proposal is a continuation of the project “Initiating regional cooperation to enforce ODS trade controls in ECA” and noted further that the documentation supporting the project included a report of the progress made by the earlier project. In seeking clarification from the Czech Republic on the reason for the need for additional resources to continue this network vis-à-vis an overall understanding that activities should eventually be included under UNEP’s CAP programme through the ECA network, the Secretariat was informed that the important results of the project prompted many members of the ECA network to request a continuation of this enforcement activity; therefore this proposal was being submitted for funding. The Czech Republic also reiterates the importance of continuing activities to fight illegal trade in this region and stresses that there was no commitment made at the earlier meeting that the enforcement network could be sustainable on its own without further support.

11. The Secretariat raised the fact that, as per the consolidated business plan, activities for illegal trade which include this network have been classified as “activities not required for compliance” and sought further clarification why this should be considered important at this time, particularly when HCFC phase-out should be the priority for funding and activities. The Czech Republic indicated that it does not agree that illegal trade activities should be classified as “activities not required for compliance” and reiterated the importance that the Meetings of the Parties have made in illegal trade issues and the need to continue monitoring the challenges of illegal ODS trade. It also mentioned that recent studies have shown some illegal trade in HCFCs; therefore this would be an activity that would contribute to compliance by Article 5 countries.

12. In responding to comments from the Secretariat on how the long term sustainability of this project is foreseen the Czech Republic responded that several of the project activities will promote sustained customs cooperation but neither the Czech Republic nor UNEP can guarantee that customs cooperation will continue on its own after project completion. At that time, the project impact should be

evaluated and the need and eligibility for subsequent activities assessed if requested by the ECA network countries.

13. In light of these comments, and following discussions between the Secretariat, the Government of the Czech Republic and UNEP, it was agreed that the project would be presented to the Executive Committee for individual consideration, where funding could be recommended for the first year of the project only, without prejudice to the approval of the funding for the remaining year. This would allow the network to gather the commitment it needed and ensure the sustainability of its future operation.

Secretariat's recommendation

14. The Executive Committee may wish to consider whether to approve the project Regional customs cooperation to prevent illegal trade in ozone-depleting substances in the Europe and Central Asia region for one year only, at the level of funding of US \$80,500 plus support costs of US \$10,465 for the Czech Republic, without prejudice to future funding approvals for the remaining year proposed for the project.

REQUEST FROM THE GOVERNMENT OF FRANCE

Introduction

15. Table 4 provides a summary of the requests for bilateral co-operation from the Government of France. The value of this request (US \$565,000) does not exceed 20 per cent of France contribution for 2011 (US \$2,039,952).

Table 4

SUBMISSION FROM THE GOVERNMENT OF FRANCE

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
Demonstration project for disposal of unwanted ODS	Mexico	500,000	(1)
Agency Fee		65,000	
Total		565,000	

(1) UNEP/OzL.Pro/ExCom/63/42

MEXICO: Demonstration project for disposal of unwanted ODS: US \$500,000

16. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/42.

REQUEST FROM THE GOVERNMENT OF GERMANY

Introduction

17. Table 5 provides a summary of the requests for bilateral co-operation from the Government of Germany. The value of these requests (US \$5,171,246) exceeds 20 per cent of Germany's contribution for 2011 (US \$2,776,808). However this amount combined with Germany's approved bilateral activities in 2009 and in 2010 is below Germany maximum bilateral cooperation for the triennium 2009 – 2011.

Table 5

SUBMISSION FROM THE GOVERNMENT OF GERMANY

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
HCFC phase-out management plan (stage I, first tranche)	Afghanistan	174,740	(1)
Sector plan for phase-out of HCFCs in the extruded polystyrene foam sector (phase I)	China	1,680,000	(2)
HCFC phase-out management plan (stage I, first tranche)	Islamic Republic of Iran	1,581,489*	(3)
HCFC phase-out management plan (stage I, first tranche)	Liberia	157,500	(4)
HCFC phase-out management plan (first tranche)	Mauritius	157,050	(5)
HCFC phase-out management plan (first tranche)	Namibia	300,000	(6)
HCFC phase-out management plan (first tranche)	Papua New Guinea	350,000	(7)
HCFC phase-out management plan (first tranche)	Seychelles	200,000	(8)
Preparation of HCFC phase-out investment activities (foam sector)	Zimbabwe	30,000	30,000
Agency Fee		540,467	3,900
Total		5,171,246	39,000

* Amount requested as of 10 March, it may be slightly different from the final amount in the agreement.

(1) UNEP/OzL.Pro/ExCom/63/22

(2) UNEP/OzL.Pro/ExCom/63/26

(3) UNEP/OzL.Pro/ExCom/63/35

(4) UNEP/OzL.Pro/ExCom/63/39

(5) UNEP/OzL.Pro/ExCom/63/41

(6) UNEP/OzL.Pro/ExCom/63/45

(7) UNEP/OzL.Pro/ExCom/63/47

(8) UNEP/OzL.Pro/ExCom/63/51

AFGHANISTAN: HCFC phase-out management plan (stage I, first tranche) (US \$174,740)

18. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/22.

CHINA: Sector plan for phase-out of HCFCs in the extruded polystyrene foam sector (phase I) (US \$1,680,000)

19. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/26.

ISLAMIC REPUBLIC OF IRAN: HCFC phase-out management plan (stage I, first tranche) (US \$1,581,489)

20. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/35.

LIBERIA: HCFC phase-out management plan (stage I, first tranche) (US \$157,500)

21. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/39.

MAURITIUS: HCFC phase-out management plan (first tranche) (US \$157,050)

22. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/41.

NAMIBIA: HCFC phase-out management plan (first tranche) (US \$300,000)

23. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/45.

PAPUA NEW GUINEA: HCFC phase-out management plan (first tranche) (US \$350,000)

24. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/47.

SEYCHELLES: HCFC phase-out management plan (first tranche) (US \$200,000)

25. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/63/51.

ZIMBABWE: Project preparation for investment projects in the foam sector (US \$30,000)

Project description

26. The Government of Germany requested additional funds for the preparation of investment activities for Zimbabwe which already had HPMP preparation funding approved. In its submission, Germany provided basic information about the country's HCFC consumption and sectors where HCFCs are used, and how these sector plans will link to a comprehensive HPMP in particular for countries where implementation is being shared by more than one agency.

Fund Secretariat's comments

27. The Secretariat reviewed the request for project preparation funds and sought clarification with the Government of Germany where necessary. In its review, the Secretariat found that the information submitted and the funding requested is consistent with that required in decision 56/16.

Secretariat's recommendation

28. The Secretariat recommends blanket approval for the request for the preparation of the investment activities in the foam sector associated with the HCFC phase-out management plan for Zimbabwe at the level of funding of US \$30,000 plus support costs of US \$3,900 for the Government of Germany.

REQUEST FROM THE GOVERNMENT OF ITALY

29. Table 6 provides a summary of the requests for bilateral co-operation from the Government of Italy. The value of this request (US \$361,600) does not exceed 20 per cent of Italy's contribution for 2011 (US \$1,644,329).

Table 6**SUBMISSION FROM THE GOVERNMENT OF ITALY**

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
Study on mechanisms and strategies for accounting ERs related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives to HCFCs	Global	320,000	*
Agency Fee		41,600	
TOTAL		361,600	

*Individual consideration

GLOBAL: Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives to HCFCs (US \$320,000)

Project description

30. The Government of Italy is submitting a proposal for a technical assistance to identify a suitable scheme for the accounting of greenhouse gas emission reductions (ERs) from HCFC phase-out activities to be used for carbon finance, at the level of funding of US \$320,000 plus support costs for consideration by the 63rd Meeting. This is a slightly revised proposal from that initially submitted to the 61st Meeting where consideration was deferred by the Executive Committee to a future meeting. The proposal includes a concept note describing the objectives and activities of the project. A copy of the proposal is attached as Annex I to this document.

31. The table below provides a breakdown of the US \$320,000 being requested by the Government of Italy:

Activity	Cost (US\$)
International consultants	210,000
Travel	60,000
Registration fees and other administrative costs	50,000
TOTAL	320,000

Fund Secretariat's comments

31. In reviewing the proposal, the Secretariat noted that it is a study that looks at methodology development and consultation with potential donors to understand their requirements, and the results of which are intended to anticipate the actions and emerging issues associated with co-financing aspects of HCFC phase-out. Once the study is completed, sources of funding could be identified together with their specific requirements.

32. The Secretariat sought clarification from the Government of Italy on some elements of the proposal, in particular whether ER programmes are to be developed as part of the proposal, how this technical assistance will assist in establishing domestic policy framework to facilitate new carbon market mechanisms, and the intent of the proposal for a "financial mechanism". In its response, the Government of Italy clarified that the proposal intends to seek synergies between the current ER programmes that are already being prepared (i.e. National Appropriate Mitigation Actions or NAMAs), and ensured that elements addressing both greenhouse gases (GHG) and ODS emissions are taken into account in the design of these programmes, as it believes that many elements of the HPMP could fit into these. It further

replied that by doing so, these programmes would then have better chances of being supported by other donors. The proposal is therefore envisaged to conceptualize an ER programme in a specific sector for instance, GHG ER potential of HCFC phase-out, with pilot activities focused on the NAMAs but learning from the HPMP experience.

33. With regard to the issue of a financial mechanism, the Government of Italy also mentioned that the proposal would aim to establish this mechanism based on the pilot activities mentioned above, using voluntary funds to start the programme addressing both ODS and GHG ER potential. The mechanism would aim to remove barriers to private investment, allowing GHG ERs achieved under ER programme to be traded in the carbon market so leading to a higher return on investment (i.e. under creditable NAMAs), and lowering the risks for investors (i.e. providing public seed capital or guarantees).

Secretariat’s recommendation

34. The Executive Committee may wish to consider whether a study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime should be funded as resource mobilization activities in light of the above comments.

REQUEST FROM THE GOVERNMENT OF JAPAN

35. Table 7 provides a summary of the requests for bilateral co-operation from the Government of Japan. The value of this request (US \$1,497,420) does not exceed 20 per cent of Japan’s contribution for 2011 (US \$5,382,029)

Table 7

SUBMISSION FROM THE GOVERNMENT OF JAPAN

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
Demonstration project for conversion from HCFC-22 to butane blowing technology in the manufacture of extruded polystyrene foam at Shanghai Xinzhao Plastic Enterprises Co. Ltd.	China	1,000,000	(1)
Pilot Project on HCFC management and phase-out in the refrigeration servicing sector	China	204,000	(1)
HCFC phase-out management plan (stage I, first tranche)	Mongolia	130,000	(2)
Agency Fee		163,420	
Total		1,497,420	

(1) UNEP/OzL.Pro/ExCom/63/26

(2) UNEP/OzL.Pro/ExCom/63/43

GENERAL RECOMMENDATION

36. The Executive Committee may wish to:

- (a) To consider whether to approve the project Regional customs cooperation to prevent illegal trade in ozone-depleting substances in the Europe and Central Asia region for one year only, at the level of funding of US \$80,500 plus support costs of US \$10,465 for the Czech Republic, without prejudice to future funding approvals for the remaining year proposed for the project;

- (b) To consider whether a study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime should be funded as resource mobilization activities in light of the above comments; and
- (c) To request the Treasurer to offset the costs of the bilateral projects approved at the 63rd Meeting as follows:
 - (i) [US \$XXX] (including agency fees) against the balance of Australia's bilateral contribution for 2011;
 - (ii) [US \$XXX] (including agency fees) against the balance of Czech Republic's bilateral contribution for 2011;.
 - (iii) [US \$XXX] (including agency fees) against the balance of France's bilateral contribution for 2011;
 - (iv) [US \$XXX] (including agency fees) against the balance of Germany's bilateral contribution for 2009 – 2011;
 - (v) [US \$XXX] (including agency fees) against the balance of Italy's bilateral contribution for 2011; and
 - (vi) [US \$XXX] (including agency fees) against the balance of Japan's bilateral contribution for 2011
