



MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Post Meeting Summary of Decisions of the 63rd Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

Introduction

The 63rd meeting of the Executive Committee, which took place in Montreal, Canada from 4 to 8 April 2011, was attended by the representatives of 14 of the Executive Committee member Parties and by participants co-opted from 17 other countries (see attached list). Mr. Patrick McInerney of Australia presided over the meeting as Chair of the Executive Committee in 2011. The Executive Secretary and Deputy Executive Secretary of the Ozone Secretariat, representatives of the implementing agencies, the Treasurer, the Co-Chairs of the Technical and Economic Assessment Panel (TEAP), the Refrigeration, Air Conditioning and Heat Pumps Technical Options Committee (RTOC), and the Foams Technical Options Committee (FTOC), the President of the Implementation Committee, and representatives from the Global Environment Facility, the Alliance for Responsible Atmospheric Policy, and the Environmental Investigation Agency also attended the meeting.

The 63rd meeting was the first meeting in 2011 and addressed items related to its customary programme of work for the first meeting of the year including the 2011-2014 business plans of the bilateral and implementing agencies and a number of policy issues related to HCFC phase-out and considered the approval of a number of HCFC phase-out management plans (HPMPs), the sector plans for stage 1 of the HPMP for China and a number of other projects including two ODS disposal demonstration projects and proposals for resource mobilization activities. The Executive Committee also considered the Monitoring and Evaluation work programme for 2011 and 2012, reports on the multi-year agreement table for HPMPs and the climate impact indicator.

The Committee approved investment projects and work programme activities with a value of just under US \$20.9 million, plus US \$1.9 million in support costs for bilateral / implementing agencies, and took a total of 65 decisions including the approval of the first tranches of HCFC phase-out management plans (HPMPs) for 27 countries and the regional HPMP for the 12 Pacific Island Countries (PICs). The most significant decisions and discussions are summarized below.

Status of contributions and disbursements (decisions 63/1)

Based on the level of expected project approvals at the 63rd meeting, the Treasurer had requested the accelerated encashment of outstanding promissory notes and the Executive Committee noted that the Government of France had responded to this request with the encashment of its note. The Committee also noted UNEP's obligation as the Treasurer of the Multilateral Fund to make provision for doubtful debts in the accounts of the Multilateral Fund in line with the recommendation of the United Nations Board of Auditors. The Executive Committee also urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible.

Status of resources and planning

Report on balances and availability of resources (decision 63/2)

The return of balances from completed and cancelled projects amounted to US \$1,171,796 however the total funds available for approvals at the 63rd meeting would have been insufficient to fund all the requests submitted to the meeting if they had been approved. The Executive Committee noted the transfer of two projects: a halon project in the Islamic Republic of Iran from the Government of France to UNIDO and the second tranche of the national methyl bromide phase-out plan in Mexico from the Government of Canada to UNIDO. The Committee also requested UNIDO to expedite the financial completion of projects with obligated and unobligated balances for projects completed two years previously with a view to returning the unobligated balances at the 64th meeting.

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 63/4)

The Executive Committee considered the report on the status/prospects of Article 5 countries in achieving compliance with Montreal Protocol control measures for ODS. The analysis was based on data, either country programme (CP) data or data reported under Article 7, available as of 4 March 2011. Only 11 countries had submitted 2009 CP data using the web-based system, which had been available since April 2007. The issue of whether to make the use of the web-based portal mandatory was considered and the Committee requested the Secretariat to consult with the implementing agencies in order to ascertain why so few countries had used the web-based portal and to report back to the Committee at its 64th meeting.

The Secretariat modified the CP data reporting format for which would be effective for the submission of 2012 CP data due on 1 May 2013. The revised CP report excluded CFCs, CTC and halons for which total phase-out was scheduled for 2010 and included relevant methyl bromide, TCA and HCFC phase-out control measures.

The Executive Committee requested UNEP Compliance Assistance Programme (CAP) to ascertain the reasons for which licensing systems in the Cook Islands, Haiti, Kiribati, Mauritania, the Federated States of Micronesia and Senegal were not operating satisfactorily and the countries' plans to improve their operation. UNEP was asked to also ascertain the reasons why Ethiopia and Lesotho had not established a licensing system. The information on licensing system would indicate the effectiveness of controls to enable a country's future compliance, regardless of the level of its current consumption.

2011-2014 business plans (decisions 63/5 and 63/10)

Consolidated business plan (decision 63/5)

The Executive Committee endorsed the 2011-2014 consolidated business plan of the Multilateral Fund, while noting that endorsement denoted neither approval of the projects identified therein nor their funding or tonnage levels and decided the following:

- to maintain the activities in the business plan for those countries that had already received funding to phase out more than 10 per cent of their estimated baseline/starting point;
- to maintain the current levels of funding for institutional strengthening (IS) for business planning purposes until such time as a decision had been taken on the actual IS funding levels;
- to set a window for ODS destruction for low-volume-consuming (LVC) countries, pursuant to decision XXI/2 of the Twenty-first Meeting of the Parties, amounting to

US \$3 million;

- to monitor the results of proposed funding distributions by country in the light of approved commitments to ensure that the funding planned would be available to meet those commitments;
- that project preparation could be funded for stage II activities and might be included prior to the completion of stage I in business plans for the years 2012-2014;
- that the duration of the next business plan should be only for the next triennium 2012-2014, and include any multi-year funding after 2014; and,
- to request bilateral and implementing agencies to agree on a distribution of the tonnage for approved HPMPs followed by agreement with the relevant countries, and to report to the 64th meeting on the agreement.

With regard to any additional HPMP project preparation activity, the Committee agreed that funding should be deducted from the funding eligibility for the HPMP if a country chose to assign an implementing agency other than the one originally approved to conduct the HPMP and to request the initial implementing agency to transfer the results of the HPMP preparation to the new implementing agency.

Bilateral business plans (decision 63/6)

The Executive Committee noted the 2011-2014 business plans on bilateral cooperation submitted by the Governments of Australia, the Czech Republic, Germany, Italy and Japan. With respect to potential over-programming in Germany's business plan, the Committee noted that if all the funding were approved in 2011, Germany would join with other agencies to share the activities, and that all the countries that could be affected by the over-programming had been made aware that Germany might not have sufficient funds to submit their activities for funding in 2011.

Agency business plans (decisions 63/7- 63/10)

The Executive Committee noted the 2011-2014 business plans of UNDP, UNEP, UNIDO and the World Bank. Performance indicators, which would provide the basis for the evaluation of performance in 2011, were approved for the four agencies.

During the discussion of UNEP's business plan, attention was drawn to the dire conditions in Haiti, which could put the country at risk of non-compliance, if not outright, non-compliance. The Committee requested UNEP to undertake prioritized CAP activities, in cooperation with other agencies, to assist Haiti in returning to its pre-earthquake level of implementation of the Montreal Protocol, and in enabling its compliance.

Following some concerns expressed by Executive Committee members the activity to develop a methodology to generate carbon credits from avoidance of HFC-23 emissions through reduced HCFC-22 use was removed from the World Bank's business plan.

Programme implementation

Monitoring and evaluation work programme for 2011 and 2012 (decision 63/11)

The Executive Committee approved the 2011 monitoring and evaluation work programme at a budget of US \$86,750 to cover a number of items including the completion report format for multi-year agreements (MYA) and the desk study on the evaluation of MYA projects. The draft monitoring and evaluation work programme and budget for 2012 would be submitted for consideration at the 65th meeting and would include an evaluation of chiller projects using co-funding modalities and the

evaluation of metered-dose inhaler projects. A strategy for the dissemination and communication of the lessons learned from previous implementation experiences and the evaluations that had been conducted would also be submitted to the same meeting.

Report on implementation of approved projects with specific reporting requirements (decision 63/13)

The Executive Committee took note of the eight progress reports on the implementation of approved projects with specific reporting requirements from the Governments of Brazil, China (three projects), Costa Rica, Mexico, Paraguay and Sri Lanka and made a number of requests to follow up on specific issues.

With regard to the transfer of the national methyl bromide (MB) phase-out plan in Mexico (second tranche) from the Government of Canada to UNIDO the Executive Committee approved the revised agreed conditions for the phase-out of MB in Mexico.

The Executive Committee considered the report on safety and technical feasibility analysis of the project to demonstrate the conversion from HCFC-141b-based to cyclopentane-based pre blended polyol in the manufacture of rigid polyurethane foam at Guangdong Wanhua Rongwei Polyurethane Co. Ltd. and authorized the disbursement of US \$635,275 by the World Bank to China for stage II of the project. The World Bank would submit the report for stage I of the project, including cost calculations for safety measures, for consideration at the 65th meeting of the Executive Committee, in line with decision 59/13(c).

With regard to the 2010 annual progress report on the implementation of the fifth tranche of the project for the total phase-out of MB used as a fumigant in melons, cut flowers, bananas, tobacco seedbeds and nurseries, excluding quarantine and pre-shipment (QPS) applications, in Costa Rica, the Executive Committee noted the consumption of MB in Costa Rica in 2010 was below the maximum level of consumption indicated in the revised schedule for the phase out of MB for the country and authorized the disbursement of US \$255,000 by UNDP to Costa Rica as part of the fifth tranche of the project.

Project proposals

HCFC policy issues (decisions 63/14 to 63/17)

Discrepancies between data reported under Article 7 and in HPMPs (decision 63/14)

The Executive Committee decided that the calculation of the starting points for aggregate reductions in HCFC consumption for HPMPs should be based on the latest accepted HCFC consumption data reported under Article 7, consistent with decision 60/44 of the Executive Committee.

Additional funding requests for HCFC phase-out outside approved HPMPs (decision 63/15)

The Executive Committee decided that Article 5 countries with HCFC consumption reported under Article 7 solely in the refrigeration servicing sector and with foam enterprises relying exclusively on imported HCFC-141b pre-blended polyol systems not reported as consumption could, on an exceptional and case-by-case basis, and consistent with decision 61/47, submit a funding request for the conversion of those enterprises during implementation of stage I of the HPMP providing that a number of conditions and provisos detailed in 63/15 were fulfilled.

Funding for conversion of eligible enterprises with very little or no current consumption of HCFCs

After some consultation, the Executive Committee noted the issue of funding for conversion of eligible enterprises with very little or no current consumption of HCFCs, and confirmed its decision, taken at the 16th meeting, that eligible ODS consumption at the enterprise level should be calculated on the basis of either the year, or an average of the three years, immediately preceding project preparation.

Applicability of HCFC cost-effectiveness thresholds for low-volume- consuming countries

The Executive Committee agreed that the issue of applicability of HCFC cost-effectiveness thresholds for LVC countries was already covered by previous decisions taken by the Executive Committee and by existing procedures.

Flexibility provision under HCFC phase-out management plans (decision 63/16)

The matter of the flexibility provision under HPMPs in relation to technology changes and funding reallocation among sectors would be considered at the 64th meeting.

Amending HPMP agreements between the Executive Committee and countries to help ensure compliance with the 2013 control measure (decision 63/17)

The Executive Committee decided to add the following paragraph to the template for draft agreements approved in decision 61/46 and to the draft agreements between Article 5 countries and the Executive Committee submitted to the 63rd meeting to address concerns that some countries, in their submissions, appeared to be indicating that efforts to achieve compliance with the 2013 HCFC consumption freeze would be limited to selected sectors:

“That, for all submissions from the 68th meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this agreement.”

Countries that have total HCFC consumption above 360 metric tonnes and should address consumption in the manufacturing sector first to meet the 2013 and 2015 control measures

Some countries with total HCFC consumption above 360 metric tonnes had submitted project proposals that included funding requests for servicing sector activities instead of the manufacturing sector, notwithstanding decision 60/44(f)(xv). In the interests of flexibility, it was suggested that such Article 5 countries should be allowed to address consumption in the servicing sector instead of the manufacturing sector to meet their reduction steps in 2013 and 2015, if the conversion in the manufacturing sector would result in a significant phase-in of high global warming potential substances or the conversion in a manufacturing sector would result in costs higher than US \$82 per kg ODP. The Executive Committee agreed to continue discussion of the matter at its 64th meeting.

HPMPs that propose to address more than 10 per cent of the baseline by 2015

The HPMPs of some non-LVCs countries that had been submitted to the 63rd meeting had proposed to address more than 10 per cent of the country's baseline by 2015. The Executive Committee agreed to

note in the respective decision for each such HPMP that the amount of HCFC consumption to be phased out in stage I should assist the country in making progress towards meeting the control measures beyond 2015 accordingly, on the understanding that Article 5 countries would still be able to submit stage II proposals when the Executive Committee approved the last tranche of stage I and that the approach was without prejudice to the tonnage of HCFCs that could be put forward for phase-out in stage II proposals. The decisions approving the HPMPs for Chile, the Islamic Republic of Iran and Viet Nam, decisions 63/53, 63/56 and 63/58 respectively, included this proviso. The Executive Committee further agreed to continue discussion at its 64th meeting of how HCFC phase-out in addition to the 10 per cent required for 2015 could be addressed.

Consideration of projects (decisions 63/18 to 63/59)

Projects to address CFC and HCFC control measures (decisions 63/29 – 63/58)

The Executive Committee approved 93 investment projects and work programme activities in 54 countries at a total value of US \$20,856,911 plus support costs of US \$1,885,256.

These included the first tranches of the HCFC phase-out management plans (HPMPs) for 21 LVC countries (Benin, Bhutan, Republic of the Congo, Georgia, Guyana, Honduras, Kyrgyzstan, the Lao People's Democratic Republic, Liberia, Mali, Mauritius, Mongolia, Montenegro, Namibia, Papua New Guinea, Paraguay, Republic of Moldova, Sao Tome and Principe, Seychelles, Swaziland, and Timor-Leste¹) and 6 non-LVC countries (Afghanistan, Chile, Democratic Republic of Congo, Islamic Republic of Iran, the Bolivarian Republic of Venezuela and Viet Nam). The first tranches of stage one of a regional HPMP for the Pacific Island Countries (PICs) was also approved. The 12 PIC countries (Cook Islands (the), Kiribati, Marshall Islands (the), Micronesia (the Federated States of), Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu) will implement one HPMP for the entire sub-region of small island countries. The regional approach aims not only to facilitate HCFC phase-out in the PICs but also to be the most cost-effective use of funds.

All 39 countries have pledged at a minimum to meet the 2013 and 2015 Montreal Protocol control measures for HCFC throughout their HPMP². The HPMPs of 5 countries (Bhutan, Mauritius, Namibia, Papua New Guinea and Seychelles) cover the total phase-out HCFCs in those countries in advance of the Montreal Protocol's 2040 deadline, in some cases as early as 2025. In accordance with decision 60/15, the governments of these 5 countries had provided a strong commitment to accelerating HCFC phase-out. The HPMPs approved for the Islamic Republic of Iran, Mongolia, Swaziland, and Viet Nam will convert foam and/or air-conditioning manufacturing plants from HCFC-based to alternative technologies. An investment project for the phase-out of HCFCs used in aerosol manufacturing in Mexico was also approved (decision 63/29).

HCFC phase-out activities for Indonesia and China (decisions 63/55 and 63/59)

The Executive Committee also considered sectoral plans for HCFC phase-out in China and the HPMP for Indonesia. Both countries consume large amounts of HCFCs with reported consumption in 2009 of 18,603 and 375 ODP tonnes respectively. In the case of China their consumption represents 54 per

¹ Timor-Leste: CFC and HCFC phase-out management plan (stage I, first tranche)

² Nine countries each have an HPMP for the period 2011– 2015: Chile, Democratic Republic of Congo, Guyana, Islamic Republic of Iran, Kyrgyzstan, Republic of Moldova, Timor-Leste, Bolivarian Republic of Venezuela, and Viet Nam. Twenty-five countries each have an HPMP for the period 2011 – 2020: Afghanistan, Benin, Republic of the Congo, Georgia, Honduras, Lao People's Democratic Republic, Liberia, Mali, Mongolia, Montenegro, Paraguay, Sao Tome and Principe, Swaziland and the 12 Pacific Island Countries. The HPMPs of 5 countries will address the complete phase-out of HCFCs : Bhutan, Mauritius, Namibia, Papua New Guinea and Seychelles.

cent of the total consumption of HCFCs by developing countries. HCFC phase-out activities for Indonesia and China would be considered at the 64th meeting of the Executive Committee.

Resource mobilization (decisions 63/20, 63/22 - 63/24)

In the context of the agencies' work programmes the Executive Committee approved US \$680,000 plus agency support costs for a number of global activities to be carried out by UNDP, UNEP, UNIDO and the World Bank in order to address the mobilization of resource to maximize the climate co-benefits of HCFC phase-out. The activities included the preparation of four pilot demonstration projects to improve energy efficiency and two projects for co financing for HCFC activities, two pilot pilot applications of co-financing for one or more LVC countries with an approved HPMP and a study that would focus solely on monetizing carbon credits. The funding would be taken from the US \$1.2 million returned by the World Bank in relation to the chiller project for Thailand. Agencies will provide interim and final reports on resource mobilization activities at the 66th and 69th meetings respectively.

HPMP preparation (decision 63/18)

Six countries (Bosnia and Herzegovina, Jordan, Kuwait, Libyan Arab Jamahiriya, Yemen and Zimbabwe) received funding for preparation of HCFC phase-out investment activities in various sectors.

Other project approvals

Two pilot projects were approved to address the management and disposal of waste ozone depleting substances (ODS) in Ghana and Mexico (decisions 63/27 and 63/28 respectively). The funding would provide start up money that could be leveraged by the two countries not only to destroy ODS waste but also to provide climate benefits.

The Executive Committee also approved funding for institutional strengthening for nine countries (decision 63/18 and 63/21), the second tranches of the terminal phase-out management plan to assist Eritrea (decision 63/25) and of the national phase-out plan for Iraq (decision 63/26) to sustain zero consumption of CFCs and facilitate the phase-out of HCFCs, and a project for the preparation of methyl bromide phase-out activities in Ecuador (decision 63/18).

Country programme (decision 63/60)

The Executive Committee approved the country programme of Timor-Leste which included an HCFC and CFC phase-out management plan, and an IS project for which funding had been approved at the 61st meeting.

Report on the multi-year agreement tables database for HCFC phase-out management plans (decision 63/61)

Further work would be undertaken on the MYA database by the Senior Monitoring and Evaluation Officer including improving the output formats, simplification of the structure of the MYA tables by reducing the amount of data required for investment activities and testing of the functionality of the database for tranche requests. Implementing agencies were requested to update the entries in the MYA database shortly after the approval of an HPMP to reflect the approved and planned activities for the whole HPMP and the relevant annual implementation plans up to and including the year of the next tranche submission. The Senior Monitoring and Evaluation Officer would inform the Executive

Committee at the last meeting of each year whether the respective agencies had complied with this request.

Report on the Multilateral Fund climate impact indicator (MCII) (decision 63/62)

The Executive Committee noted the report on the experience gained in implementing the Multilateral Fund Climate Impact Indicator and decided to continue its discussion of the MCII at the 64th meeting.

Production sector (decision 63/63)

The Sub-group on the Production Sector (Argentina, Australia, China, Cuba, Japan, Kuwait, Switzerland, and the United States of America) was convened and addressed the status report on the bidding process for the technical audit of the HCFC production sector in China. Following a report by the sub-group, the Executive Committee requested the Secretariat to investigate the possibility of the contractor for the technical audits in China submitting an interim report, including audits of HCFC-141b-producing plants, and to the extent possible HCFC-22- and HCFC-142b-producing plants, and a final report of a comprehensive audit of all HCFC-producing plants, without prejudice to which HCFC- producing plants would be addressed first for phase-out.

Due to time limitations, the agenda item regarding work to-date on remaining elements of a final decision with respect to the HCFC production sector could not be addressed by the sub-group.

Other matters

Issue of exceptional circumstances in the former Yugoslav Republic of Macedonia (decision 63/64)

The Executive Committee noted that the Government of the former Yugoslav Republic of Macedonia had not only submitted the very first HPMP [to the 59th Meeting], but had also included funding for IS as part of the HPMP, which was an innovative concept at that time. Owing to the lengthy discussions leading up to the approval of the HPMP, by the time of its approval, the funding remaining under the previously-approved IS funding had been depleted more than anticipated. In view of this the Committee provided, on an exceptional basis, advance funding for the purpose of IS which would be deducted from the funding for the second tranche of the HPMP.

65th Meeting of the Executive Committee (Decision 63/65)

The Executive Committee decided to hold its 65th meeting in Bali, Indonesia from 6 to 10 November 2011.

Report of the 63rd meeting

A complete record of all decisions made at the 63rd meeting, including those covered in this document, can be found in the “Report of the Sixty-third Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol” (UNEP/OzL.Pro/ExCom/63/60) 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 63rd meeting of the Executive Committee

Executive Committee Members	Co-opted countries
Non Article 5	
Australia (Chair)	Canada
Belgium	Netherlands
Czech Republic	
France	Germany and Italy
Japan	
Switzerland	Sweden
United States of America	
Article 5	
Argentina	Brazil and Colombia
China (Vice Chair)	India, Indonesia and Malaysia
Cuba	Mexico
Grenada	Saint Lucia and Trinidad and Tobago
Kenya	Uganda
Kuwait	Islamic Republic of Iran
Morocco	Comoros and Mali