



MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Post Meeting Summary of Decisions of the 66th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

Introduction

The 66th meeting of the Executive Committee, which took place in Montreal, Canada from 16 to 20 April 2012, was attended by the representatives of 13 of the Executive Committee member Parties and by participants co-opted from 23 other countries (see attached list). Mr. Xiao Xuezhi of China presided over the meeting as Chair of the Executive Committee in 2012. The Deputy Executive Secretary of the Ozone Secretariat, representatives of the implementing agencies, the Treasurer, representatives from the Global Environment Facility, the Alliance for Responsible Atmospheric Policy, the Environmental Investigation Agency, and a journalist from the New York Times also attended the meeting.

The Committee followed its customary programme of work for the first meeting of the year including consideration of the three-year business plans of the bilateral and implementing agencies, and agencies' work programmes. The Executive Committee also considered policy issues related to HCFC phase-out, approval of a number of projects including new HCFC phase-out management plans (HPMPs), requests for second tranches of HPMP funding and pilot projects for ODS disposal, a desk study on the evaluation of methyl bromide phase-out and the terms of reference for the evaluation of multi-year agreement projects. In addition, as this was the first meeting of the 2012-2014 triennium, the Executive Committee considered how the recent replenishment budget adopted by the 23rd Meeting of the Parties would be allocated over the three years.

The Committee approved investment projects and work programme activities with a value of just under US \$30.7 million, plus US \$2.5 million in support costs for bilateral / implementing agencies, and took a total of 56 decisions including the approval of the first tranches of HPMPs for 16 countries. The most significant decisions and discussions are summarized below.

Status of contributions and disbursements (decisions 66/1)

The Executive Committee urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible and that any Parties eligible to use the fixed-exchange-rate mechanism (FERM) in making their contributions to the Fund during the replenishment period 2012-2014 should advise the Treasurer of their intention to do so before the 67th meeting. The list of Parties using the FERM during the 2012-2014 replenishment period would be added in the Treasurer's report to the Executive Committee.

Status of resources and planning

Report on balances and availability of resources (decision 66/2)

The Executive Committee noted that implementing agencies returned US \$2,773,074 against projects

plus US \$255,336 in support cost to the Multilateral Fund. This amount included the transfer of US \$1,835,205, plus US \$154,294 in support costs, from the World Bank to UNEP for the national CFC phase-out plan for the Philippines, in accordance with decision 65/10(e). The Governments of Italy and Japan returned US \$382 and US \$77,950, to the Fund respectively, and Italy returned accrued interest of US \$261,583 as additional income.

Financial planning for 2012-2014 (decision 66/3)

The Parties established a replenishment budget of US \$450 million for the Multilateral Fund at the 23rd Meeting of the Parties in November 2011 (decision XXIII/15). Of this US \$450 million, US \$179.493 million is already committed for funding the implementation of ongoing multi-year agreements (MYAs), and other standard activities totaling US \$95.477 million. This leaves US \$175.031 million of programmable resources for new activities during the triennium.

After reviewing the commitments and resources available for new activities, bilateral contributions and resource availability in the light of expected cash flow during the triennium, the Executive Committee decided to adopt a resource allocation of US \$145 million in 2012, US \$145 million in 2013, and US \$160 million in 2014, with any unallocated funds to be allocated subsequently during the 2012-2014 triennium. The Executive Committee also made a number of requests in consideration of the overall budget and cash flow. The availability of cash flow for the 2014 budget would be considered at the first meeting of 2014 in light of the collection of interest, the payment of contributions from Parties that had not previously paid, and any losses due to non-payment or the FERM.

The Executive Committee also requested bilateral agencies to specify the costs of planned activities in their annual business plans and make efforts to remain within those estimates when submitting those projects during the 2012-2014 triennium. Contributing Parties that did not provide for accelerated encashment of promissory notes were asked to consider either allowing the Treasurer to accelerate the encashment schedule or to adjust their encashment schedules for future promissory notes to correspond to the year in which the contributions were due. The Government of Germany would provide an update, through the Treasurer, on its efforts with regard to encashment of its promissory notes prior to the 67th meeting of the Executive Committee.

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 66/4)

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 12 March 2012. Fifty-nine countries had submitted 2010 CP data using the web-based system, which had been available since April 2007. According to the Secretariat's analysis no countries appear to be in non-compliance based on 2010 or 2011 Article 7 and CP data submitted as of 12 March 2012.

2012-2014 business plans (decisions 66/5 to 66/10)

Consolidated business plan (decision 66/5)

The Executive Committee endorsed the 2012-2014 consolidated business plan of the Multilateral Fund as adjusted by the Secretariat and the Executive Committee, while noting that endorsement denoted neither approval of the projects identified therein nor their funding or tonnage levels. The adjustments to the business plan agreed by the Executive Committee would reduce the over-programming in the

business plan. The Executive Committee also decided:

- to apply the cost-effectiveness threshold of US \$6.92/kg to all foam projects, including those in the rigid polyurethane foam sector;
- to limit new HCFC phase-out activities that would exceed a 10 per cent reduction of the baseline to no more than a 35 per cent reduction of the baseline in non-low-volume-consuming (LVC) countries for those activities in the business plan that had not yet been submitted;
- to maintain in the business plans of the bilateral and implementing agencies only those ODS destruction projects for which project preparation funds had already been approved by the Executive Committee;
- to remove phase-out activities involving swing plants, pending an Executive Committee decision on funding eligibility for swing plants, on the understanding that requests for such activities could be reintroduced into the business plans of the implementing agencies after the Executive Committee had agreed on the Production Sector guidelines, as appropriate;
- to remove activities for the United Arab Emirates on the understanding that the Executive Committee would defer the request of the United Arab Emirates for assistance from the Multilateral Fund to a future meeting to allow more time for discussion with the country;
- to further adjust all new activities in the business plan to the budget allocation for the 2012-2014 triennium;
- to maintain the project for promoting alternatives to HCFC in air-conditioning sector in high ambient temperature countries in West Asia in the business plan for 2012, with adjusted funding of US \$250,000 for the entire project.

The Executive Committee would monitor the results of proposed funding distributions in the light of approved commitments to ensure that planned funding would be available to meet commitments for both the HCFC consumption and production sectors. The Committee also requested the Fund Secretariat, in cooperation with the implementing agencies, to prepare a first draft of guidelines for stage II of HPMP preparation including options for phase-out up to the 2020 control target and for total phase-out in accordance with the Montreal Protocol schedule for consideration at its 69th meeting.

Bilateral business plans (decision 66/6)

The Executive Committee noted the 2012-2014 business plans on bilateral cooperation submitted by the Governments of Germany and Japan. With respect to potential over-programming in Germany's business plan, the Committee noted Germany's confirmation that it would continue to adjust its business plan, including by taking the necessary steps with Article 5 partner countries and bilateral or implementing agencies, so that it remained within the range of its 20 per cent bilateral contribution. The Government of Germany would report to the 67th meeting on progress.

Agency business plans (decisions 66/7 to 66/10)

The Executive Committee noted the 2012-2014 business plans of UNDP, UNEP, UNIDO and the World Bank. Performance indicators, which would provide the basis for the evaluation of performance in 2012, were approved for the four agencies.

Programme implementation

Monitoring and evaluation

Evaluation of multi-year agreement projects (decisions 66/11 and 66/12)

The Senior Monitoring and Evaluation Officer was requested to take into consideration the comments and observations on the desk study on evaluation of multi-year agreement projects (MYA), which had been received from implementing agencies and Executive Committee members by the 66th meeting, when preparing the final report of the evaluation. The Executive Committee also requested that the terms of reference (TORs) for the second phase of the evaluation of MYA projects be revised, taking into account the comments by Executive Committee members made at the meeting. The TORs would be considered by the Committee at a future meeting.

Desk study on the evaluation of methyl bromide projects (decision 66/13)

The Executive Committee noted the information provided in the desk study on the evaluation of methyl bromide projects (document UNEP/OzL.Pro/ExCom/66/15) including the proposed evaluation issues and approach for the final phase of the evaluation with a caveat that the final phase of the study should not exceed the bounds of an evaluation.

Report on implementation of approved projects with specific reporting requirements (decision 66/15)

The Executive Committee considered a number of reports on the implementation of approved projects with specific reporting requirements including those on: national phase-out plans/terminal phase-out management plans (NPPs/TPMPs) from several Governments; the HPMP for China; the institutional strengthening (IS) project for the Democratic People's Republic of Korea; resource mobilization for climate co-benefits; on-going ODS destruction projects; HCFC demonstration projects. The Committee took note of the reports on the implementation of the projects and made a number of requests to follow up on specific issues.

Future reporting requirements

Agencies were requested to continue reporting progress on the implementation of NPPs/TPMPs for a number of countries in a format and according to a schedule consistent with that in the relevant Agreement or decision 66/16. Where project completion reports were requested for NPPs/TPMPs, these should be in accordance with the format agreed at the 65th meeting.

National CFC phase-out plan (NPP) for the Philippines

At the 65th meeting, the Executive Committee approved the transfer of the remaining activities under the NPP for the Philippines from the World Bank to UNEP (decision 65/10(e)). The World Bank returned the remaining balance to the 66th meeting and the Executive Committee approved the annual implementation plan under the NPP for April 2012 to April 2013 for the disbursement of no more than US \$471,630 for the period. The Committee would consider a subsequent work plan at its 68th meeting and requested the Philippines to take into account that the remaining balance of US \$1,407,221 should support activities that would facilitate the phase-out of HCFCs in the context of the country's HPMP, in line with decision 60/11. The Committee also encouraged the Government of the Philippines and UNEP to utilize the remaining balance to defray HPMP costs to the extent possible and to submit its HPMP through the World Bank as the responsible agency no later than the 68th meeting.

HPMP for China

The Executive Committee approved the revised Appendix 5-A to the Agreement for the HPMP (stage I) between the Government of China and the Executive Committee to address the issue of monitoring arrangements.

Institutional strengthening (IS) project for the Democratic People's Republic of Korea

The Executive Committee noted the report submitted by UNEP on the implementation of Executive Committee decision 64/20 on the IS project for the Democratic People's Republic of Korea. UNEP and other interested implementing agencies were requested to further develop proposed alternative methods of disbursement, organizational structures and monitoring procedures, taking into account the experience of other agencies working in the country, for consideration at the 68th meeting. Funding for the sixth and seventh phases of the IS project were not considered for approval by the Committee.

Resource mobilization for climate co-benefits

The Executive Committee noted interim reports on project regarding resource mobilization for climate co-benefits submitted by UNDP, UNEP, UNIDO and the World Bank. The agencies were requested to provide more substantial information on the progress of activities no later than either the 67th (UNDP and UNIDO) or the 68th meeting (UNEP and the World Bank).

HCFC demonstration and investment projects

Detailed progress reports on two HCFC projects from UNDP were noted: the assessment of methylal as blowing agent in the manufacture of polyurethane foam systems; and the assessment of low costs options for the use of hydrocarbons in the manufacture of polyurethane foams. The Executive Committee requested bilateral and implementing agencies to share the UNDP assessment reports when assisting Article 5 countries in preparing projects for the phase-out of HCFC-141b in polyurethane foam applications and requested UNDP to submit a supplementary report on the use of hydrocarbons to the 67th meeting.

Systematizing and streamlining reporting on progress to the Executive Committee across the spectrum of reports (decision 66/16)

The Executive Committee decided to implement a number of changes to the procedures for reporting progress on multi-year projects and the annual progress report on the Compliance Assistance Programme (CAP) with the aim of streamlining the process. One significant change was that there would no longer be a need for reports on tranche implementation plans (TIPs) in the absence of a funding request, except in those cases where there was an issue on the application of the penalty clause or changes to targets in approved TIPs. In addition, from the 67th meeting, the information on projects currently required for the agenda item “Report on implementation of approved projects with specific reporting requirements” would be reported, together with compliance issues, in an agenda item and document to be entitled “Status reports and compliance”, which would replace the document and agenda item currently entitled “Status of implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol”.

Agencies were also requested to submit MYA project completion reports (PCRs) as noted at the 65th meeting in decision 65/6 and any available verification reports, together with the table entitled “Overall implementation plan and annual implementation report” (Table 8) of the approved MYA PCR format, in lieu of TIPs and TIP reports, for: refrigerant management plans, terminal phase out

management plans, national phase out plans for CFC, CTC and methyl bromide and, in the event that a verification report was completed before a PCR, to submit the verification in the context of a status report or Annual Progress and Financial Report.

Administrative costs for implementing agencies for the 2012-2014 triennium (decision 66/17)

In line with decision 65/18 the Executive Committee considered the assessment of options for an administrative cost regime for the 2012-2014 triennium. Following discussions in a contact group the Committee decided to reconsider the matter at the 67th meeting including the options set out in document UNEP/OzL.Pro/ExCom/66/19 and those discussed by the contact group. In order to provide supports costs for projects approved at the 66th meeting, the existing administrative cost regime was applied to the first tranche of agreements approved at the 66th meeting; the agency fee for subsequent tranches would be reconsidered at the 67th meeting. The Committee decided to maintain the existing administrative cost regime for UNEP and would continue discussion at the 68th meeting on the possible need for terms of reference for the assessment of the administrative cost regime for the 2015-2017 triennium and how to modify the terms of reference in the light of the previous ones.

Project review

Overview of issues identified (decisions 66/18 to 66/20)

ODS disposal demonstration projects not submitted to the 66th meeting (decision 66/18)

The Executive Committee decided that ODS disposal demonstration projects for LVC countries for which project preparation funding had already been approved at previous meetings could be submitted.

Submission of tranches for stage I of HPMPs for blanket approval (decision 66/19)

The Secretariat was requested to submit for blanket approval all future tranches for stage I of HPMPs provided that they were in accordance with relevant policies and decisions of the Multilateral Fund, they contained no policy issues, all technical and cost issues had been agreed between the Secretariat and relevant bilateral and/or implementing agencies, and that the total requested funding for the tranche was less than US \$1 million.

Maximizing the climate benefits from the phase-out of HCFCs in the refrigeration servicing sector (decision 66/20)

One member raised the issue of the climate impact of HCFC phase-out in the refrigeration servicing sector. Some activities such as training of technicians could lead to beneficial climate impact, however, the climate benefit of retrofitting refrigeration equipment would depend on the global-warming potential of the alternatives used. While the issue of climate impact in the sector had been addressed in a number of individual HPMPs, he proposed a more comprehensive approach. On that basis, he introduced a draft recommendation for the consideration of the Executive Committee. Since there was no consensus on the draft recommendation the issue would be further considered at the 67th meeting.

Project proposals (decisions 66/21 – 66/49 and 66/52)

In total the Executive Committee approved 59 investment projects and work programme activities in 34 countries at a total value of US \$30,628,286 plus support costs of US \$2,449,575.

HCFC phase-out management plans

Stage I HPMPs were approved for 16 countries including: 8 LVC countries (Antigua and Barbuda, Bosnia and Herzegovina, Brunei Darussalam, Djibouti, Mozambique, Nepal, Nicaragua and Niger) and 8 non LVC countries (Algeria, Argentina, Cote d'Ivoire, Guinea, India, Kenya, Kuwait and Sudan). The approval for Nepal followed a report from UNEP regarding progress by the country in ratifying the Copenhagen Amendment. The Executive Committee approved Agreements for stage I of the HPMPs for the aforementioned countries together with total funding, in principle, at the amount of US \$55,694,722 including support cost for the implementation of stage I¹; a total of US \$33,900,831 including support costs was approved for the first tranches of the 16 HPMPs.

The Committee also approved the balance of funds for the first tranche of the HPMP for Zimbabwe, funding for the second tranches of HPMPs for Armenia, Colombia and Nigeria and for the second and third tranches of the HPMP for Croatia.

Investment projects and work programme activities

In addition to the HCFC phase-out activities above the Committee also approved funding for ODS destruction demonstration projects in Colombia and Turkey; the third tranche of the methyl bromide phase-out plan in Mexico; and IS support for 11 countries. Furthermore following resolution of the policy on the incremental costs related to retooling for manufacturing heat exchangers (see decision 66/52) additional funds for an HCFC phase-out project (air-conditioning) in Jordan, and stage I of the HPMP for Indonesia (air-conditioning sector plan) were approved to cover the costs associated with changes in heat exchanger production and testing. The Executive Committee also approved funding of US \$200,000 as the Multilateral Fund's share in the development of a "Guide for Sustainable Refrigerated Facilities and Systems", in collaboration with the American Society of Heating, Refrigeration and Air Conditioning Engineers.

Projects submitted but not approved

Following discussion of a number of issues in a contact group, the Executive Committee deferred consideration of the HPMP (stage I, first tranche) for Thailand to the 67th meeting of the Executive Committee.

The Executive Committee considered project preparation funding for a Strategy for disposal and destruction of ODS for six LVC countries in Africa and decided it would allow the resubmission of the request for the African region to the 67th meeting if it met all of the criteria in the ODS destruction guidelines (decision 58/19).

The second tranche of the Accelerated CFC production phase-out in India was deferred until the 67th meeting.

Provision of information on second-stage conversions

HCFC foam production in second stage conversion enterprises (decision 66/50)

Following consideration of information on previous conversions funded by the Multilateral Fund, and

¹ Note that this amount excludes the amount of US \$233,940 including support costs for Stage I of the HPMP for Nepal, which had already been approved, in principle, at the 62nd meeting.

the conditions under which agreements were signed with Article 5 countries on phase-out of CFC consumption, the Executive Committee decided that conversion of new HCFC foam production lines in second-stage conversion enterprises established after the enterprises had been converted to a non-CFC alternative were entitled to full funding of eligible incremental costs provided that the new lines were established prior to the cut-off date of 21 September 2007, and on the understanding that the cost of replacement or retrofit of any equipment item installed after the cut-off date would not be eligible for funding. The Committee would also consider approving full funding of eligible incremental costs for second-stage conversion projects to phase out HCFC-141b contained in imported polyols on a case-by-case basis, on the understanding that the governments concerned agreed to make commitments to ban imports of HCFC-141b, both in bulk and in pre-blended polyols, by a specific date to be included within the time-frame of the relevant stage of the HPMP agreement.

Options for a tracking system for HCFC-141b-based pre-blended polyols exported by systems houses and used by foam enterprises in importing Article 5 countries (decision 66/51)

Following consideration of a report prepared by the Secretariat (document UNEP/OzL.Pro/ExCom/66/50) containing information on options for a tracking system to correlate, by country, the amounts of HCFC-141b-based pre-blended polyols exported by systems houses, with the amounts used by foam enterprises in importing Article 5 countries that had been approved for phase-out, the Executive Committee decided it would consider discounting from a country's starting point for aggregate reductions in HCFC consumption the amount or average amount of HCFC-141b contained in pre-blended polyols exported for the year or years on which the starting point had been based. At its 68th meeting the Committee would consider when to deduct the amounts of HCFC-141b exported in pre-blended polyols from the starting points for aggregate reductions in HCFC consumption of the countries concerned.

Bilateral and implementing agencies, in collaboration with relevant governments, were requested to provide the Secretariat with the best available data on the amount of HCFC-141b in pre-blended polyols exported in 2009 and 2010. The Secretariat would utilize these data together with additional or updated information reported in the context of HPMPs to be submitted, to update information in Table 1 and Annex I, respectively, of document UNEP/OzL.Pro/ExCom/66/50 and report back to the Executive Committee at its 68th meeting.

Incremental costs related to retooling for manufacturing heat exchangers (decision 66/52)

The Executive Committee considered the issue of whether, in the case of conversion of refrigeration or air-conditioning systems from HCFCs to an alternative non-flammable substance, the capital costs related to retooling should be treated as an incremental cost, or whether they constituted an avoidable technology upgrade. It was decided that in cases where the conversion of a manufacturer of air conditioning products to an alternative non-flammable substance with substantially higher working pressure was undertaken, and where that manufacturer had its own heat exchanger manufacturing facility, expenditures related to dynamic testing of heat exchangers were to be part of the conversion cost in order to ensure that they were sufficiently pressure-resistant.

Additional costs associated with changes in the heat exchanger production and testing were approved for the relevant projects for Jordan (US\$ 126,500) and Indonesia (US \$ 52,800) (see "Project proposals").

Report on the Multilateral Fund climate impact indicator (decision 66/53)

The Executive Committee deferred consideration of the report on the Multilateral Fund Climate

Impact Indicator to the 67th meeting.

Production sector (decision 66/54)

The Production Sector Sub-Group was reconvened with the following composition: Argentina, Canada (facilitator), China, Cuba, Finland, India, Japan, Jordan, the United Kingdom of Great Britain and Northern Ireland and the United States of America. Following presentation of the group's report (document UNEP/OzL.Pro/ExCom/66/53), the Executive Committee took a decision on the following:

Production of CFCs for essential uses approved for other Parties for 2012

The Executive Committee modified the CFC production sector Agreement for China to allow the production for export of pharmaceutical-grade CFCs for 2012 for purposes of meeting essential use requirements of other countries with a number of specific criteria to be fulfilled.

Technical audit of the HCFC production sector in China

The final technical audit report of the HCFC production sector in China would be submitted to the 67th meeting. However, the Committee noted that this would not prevent the consideration of the project proposal for HCFC phase-out in the production sector in China. The Secretariat was requested to review the project for consideration at the 67th meeting, taking into account any available information from the technical audit, as well as any other relevant sources of information.

HCFC production sector guidelines

The Sub-group would continue its discussions on the HCFC production sector guidelines at the 67th meeting.

Other matters

Distribution of confidential documents (decision 66/55)

The representatives of Belgium, Finland and the United Kingdom of Great Britain and Northern Ireland submitted a proposal for a draft decision on the distribution of confidential documents. The Executive Committee deferred its consideration at the 67th meeting and requested the Secretariat to propose for consideration measures to ensure secure and timely distribution of confidential material to designated members of the Executive Committee.

Report by UNEP on progress by Nepal in ratifying the Copenhagen Amendment

The representative of UNEP reported that Nepal had ratified all three amendments to the Montreal Protocol (Copenhagen, Beijing and Montreal Amendments) and was in the process of depositing the instruments of ratification with the United Nations Treaty Depositary Office in New York. The Executive Committee congratulated Nepal on ratifying the Copenhagen Amendment and, in the light of the discussion at the meeting, agreed to consider the HPMP for Nepal at the 66th meeting (see "Project proposals").

67th and 68th meetings of the Executive Committee (decision 66/56)

The Executive Committee decided to hold its 67th meeting in Bangkok from 16 to 20 July 2012 and its 68th meeting in Montreal from 3 to 7 December 2012.

Report of the 66th meeting

A complete record of all decisions made at the 66th meeting, including those covered in this document, can be found in the “Report of the Sixty-sixth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol” (UNEP/OzL.Pro/ExCom/66/54) 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 66th meeting of the Executive Committee

Executive Committee Members	Co-opted countries
Non Article 5*	
Belgium	Netherlands
Canada	Australia
Finland	Norway and Sweden
Japan	
United Kingdom of Great Britain and Northern Ireland (Vice Chair)	France , Germany and Italy
United States of America	
Article 5	
Argentina	Brazil and Colombia
China (Chair)	Bangladesh, Indonesia and Malaysia
Cuba	Haiti, Mexico, Nicaragua and Saint Lucia
India	Bahrain and Yemen
Jordan	Kuwait
Kenya	Mauritius and Uganda
Mali	Comoros and Democratic Republic of the Congo

*Romania did not attend.