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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-ninth Meeting
Montreal, 15-19 April 2013

**DECISIONS OF THE PARTIES AT THEIR TWENTY-FOURTH MEETING REGARDING THE
EVALUATION OF THE FINANCIAL MECHANISM**

Background

1. The Meeting of the Parties decided:

“Noting that the Multilateral Fund for the Implementation of the Montreal Protocol is an efficient and effective instrument for enabling compliance with the Protocol by parties operating under paragraph 1 of its Article 5,

Recognizing that parties consider periodic evaluations of the financial mechanism of the Montreal Protocol an important means of ensuring the continued efficiency and effectiveness of the Multilateral Fund,

Recognizing also the role of the Multilateral Fund as a cornerstone of the Montreal Protocol and as a key mechanism for the success of the ozone layer regime,

1. To note with appreciation the report on the 2012 evaluation of the financial mechanism of the Montreal Protocol;¹

2. To request the Executive Committee of the Multilateral Fund, within its mandate, to consider the report on the 2012 evaluation of the financial mechanism of the Montreal Protocol, as appropriate, in the process of continuously improving the management of the Multilateral Fund” (decision XXIV/11).

2. This document addresses those recommendations and sets out the actions taken by the Multilateral Fund to address them. Many of the recommendations in the evaluation have been or are already being addressed. It concludes by providing recommendations on a means by which to address the request of the Meeting of the Parties.

Results Achieved

Encourage Article 5 countries to submit remaining stage I HCFC phase-out management plans (HPMPs) as soon as possible and begin implementing strategies in approved stage I HPMPs without delay

3. At its 68th meeting, the Executive Committee decided to request “the implementing agencies to include in their 2013-2015 business plans stage I of the HCFC phase-out management plans (HPMPs) for the following countries that had not yet submitted their HPMPs: Barbados, Botswana, Libya, Mauritania, South Sudan and Tunisia” (decision 68/4(b)(ii)).

Encourage the Executive Committee to approve project preparation funding for stage II HPMPs as early as possible

4. At its 66th meeting, the Executive Committee decided “to request the Fund Secretariat, in cooperation with the implementing agencies, to prepare guidelines for stage II of HCFC phase-out management plan preparation in the light of any comments raised during the meeting, including options for phase-out up to the 2020 control target and for total phase-out in accordance with the Montreal Protocol schedule, and to present a first draft of such guidelines to the 69th meeting of the Executive Committee”.

5. Draft guidelines for funding the preparation of stage II of HCFC phase-out management plans (decision 66/5) are included in the provisional agenda of the 69th meeting of the Executive Committee as agenda item 9.

¹ UNEP/OzL.Pro.24/INF/4, annex.

Ramp up efforts to phase out methyl bromide in order to meet the 2015 milestone

6. The Executive Committee decided to request “the implementing agencies to consider the need for additional methyl bromide (MB) projects, taking into account the evaluation of the MB projects contained in document UNEP/OzL.Pro/ExCom/68/11, in the potential countries that had remaining consumption of MB not covered under approved projects or were exempt from compliance pursuant to decision XV/12 of the Fifteenth Meeting of the Parties” (decision 68/4(b)(i)). The business plans submitted to the 69th meeting include MB activities in three countries.

Organizational Effectiveness and Decision-Making ProcessesReview and streamline reporting requirements given the new complexity of HPMPs and other multi-year agreements (MYAs)

7. The Executive Committee decided:

“(b) To request:

- (i) That, as of the 67th meeting of the Executive Committee, the information currently required for the agenda item “Report on implementation of approved projects with specific reporting requirements” 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”;
 - (ii) That the information on multi-year agreements (MYAs) in the remarks column of the Annual Progress and Financial Report (APF) should be included in the narrative of the tranche implementation plan (TIP), with any differences explained;
 - (iii) That TIP reports were not required in the absence of a funding tranche request, except in those cases where there was an issue on the application of the penalty clause or changes to targets in approved TIPs;
 - (iv) That agencies 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 APF;
 - (v) UNEP to present its detailed annual progress report on Compliance Assistance Programme (CAP) activities to the third meeting of each year in the context of the annual CAP approval, and to identify any project implementation impediments for the CAP project in the APF;
- (c) To review the effectiveness of the present decision at its first meeting in 2015; and

- (d) That one of the two remarks columns in the APF would be used to report the latest non-financial data available related to projects” (decision 66/16).

Impact of the streamlining of reporting

8. The Executive Committee noted at its 67th meeting “the significant reduction in reporting resulting from the streamlining decision to date including the elimination at this meeting of 81 tranche implementation plan reports for 81 non-HCFC multi-year agreements (MYAs), and the elimination of 96 tranche implementation plan reports for HCFC phase-out management plans (HPMPs) in 62 countries [...]” (decision 67/5(a)(iv)).

Improve the accessibility and consistency of guidance on HPMP preparation

9. To improve the accessibility and consistency of guidance on HPMP preparation, the Secretariat has prepared a template that is included in decision 56/16. Further, the Secretariat prepared in July 2010, “A guide for the preparation of HCFC phase-out management plans”. As experience was gained from the initial reviews and more time allocated to coordinating the reviews based on the initial concerns, consistency has improved.

Evaluate the quality of HPMP preparation

10. The Executive Committee decided at its 68th meeting “to approve the 2013 monitoring and evaluation work programme at a budget of US \$191,000, on the understanding that the terms of reference for the desk study on the evaluation of the preparatory phase of the phasing out of HCFCs would be discussed at the 69th meeting of the Executive Committee [...]” (decision 68/9(b)). The terms of reference for the desk study are included in the provisional agenda of the 69th meeting of the Executive Committee as agenda item 7(a)(ii).

Information dissemination and capacity-building activities

Consider future availability of institutional strengthening funding, especially for low-volume-consuming (LVC) countries

11. The Sixty-first Meeting of the Executive Committee decided *inter alia* to maintain funding for institutional strengthening (IS) support at current levels, and to renew IS projects for the full two-year period from the 61st meeting, taking into account decisions 59/17 and 59/47(b) that allowed Article 5 Parties to submit their IS projects as stand-alone projects or within their HCFC phase-out management plans, and to review continued IS funding at those levels at the first meeting of the Executive Committee in 2015 (decision 61/43(b)).

Effectiveness of technology transfer

Consider systematically tracking technology transfer

12. The Inventory of Approved Projects (database) provides all of the technological information for projects approved by the Executive Committee. Technology information for MYAs is also included in the MYA format (database), and the continuous tracking of the alternative technology implemented and possible changes during the implementation of the project is currently being introduced into the MYA format.

13. The Executive Committee has taken the following decisions with respect to recording technologies and technology changes. At its 20th meeting, the Executive Committee, having noted the statement that there was a presumption that projects would be implemented as approved, but that

technology was evolving rapidly and some degree of flexibility might be required in exceptional cases, decided:

- (a) That the Implementing Agencies should exceptionally be allowed to propose changes in the technology approved by the Executive Committee for particular projects;
- (b) That adequate and detailed justification should be provided for any changes proposed (decision 20/8).

14. At its 22nd meeting, the Executive Committee decided to adopt the following guidelines:

- (a) There is a presumption that the technology selected in all projects will be mature and that the projects will be implemented as approved;
- (b) For projects approved after the adoption of these guidelines:
 - (i) Projects are to be implemented as approved;
 - (ii) Exemptions will be considered in the following circumstances:
 - a. The only other option would be cancellation of the project; or
 - b. The project approved is for conversion to a transitional technology, and the revised proposal is for conversion in a single step to non-transitional technology;
 - (iii) Such proposals will be submitted to the Executive Committee for individual consideration, together with the Secretariat's review and recommendations;
 - (iv) The revised proposals will be implemented within the level of funding already approved;
- (c) For projects first approved before the adoption of these guidelines:
 - (i) Recognizing that there have been delays in project implementation, with possible implications for technology choice, proposals for change in technology of projects approved before adoption of these guidelines may be submitted; the revised project must be implemented within the level of funding already approved. The new proposal must demonstrate that the impediments to implementation of the project have been overcome and that implementation will commence immediately upon clearance of the proposal;
 - (ii) Where the change in technology has no other significant policy implications, the proposal may proceed on the basis of agreement between the Secretariat and the Implementing Agency, including agreement on the extent of savings to be realized, if any. The Executive Committee is to be informed at its next meeting;
 - (iii) Where the condition in guideline (c)(ii) above is not met, the project will be submitted to the Executive Committee for consideration of the relevant issues (decision 22/69).

15. At its 33rd meeting, the Executive Committee decided to request that, in accordance with the relevant guidelines, the funding received be partly or fully returned to the Multilateral Fund in cases

where technology was changed without informing the Secretariat and without approval by the Executive Committee (decision 33/2).

16. The current HPMP Agreement template between the Governments and the Executive Committee includes a paragraph which allows for technology transfer under specific conditions:

- “(c) Should the Country decide during implementation of the agreement to introduce an alternative technology other than that proposed in the approved HPMP, this would require approval by the Executive Committee as part of an Annual Implementation Plan or the revision of the approved plan. Any submission of such a request for change in technology would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable. The Country agrees that potential savings in incremental costs related to the change of technology would decrease the overall funding level under this Agreement accordingly;”

Cooperation with other organizations

Pursue climate, Persistent Organic Pollutants (POPs), and ozone synergies and linkages to further the ozone agenda

Premium for low global-warming potential (GWP) alternatives

17. At its 60th meeting, the Executive Committee decided *inter alia* that funding of up to a maximum of 25 per cent above the cost effectiveness threshold will be provided for projects when needed for the introduction of low GWP alternatives (decision 60/44(f)(iv)).

Multilateral Fund climate impact indicator (MCII)

18. The 67th meeting of the Executive Committee decided “(b) to request the Secretariat to finalize the development of the Multilateral Fund climate impact indicator (MCII) for the different sectors as outlined in document UNEP/OzL.Pro/ExCom/67/34 and in light of the comments received prior to and during the 67th meeting of the Executive Committee; (c) to request the Secretariat to present a fully-developed version of the MCII to the Executive Committee no later than its 69th meeting, and to propose options for its further implementation; and (d) to request the Secretariat to inform the Executive Committee of the progress made and experience gained in applying the MCII to project submissions no later than its 70th meeting” (decision 67/32). A report on the MCII was included in the provisional agenda of the 69th meeting of the Executive Committee as agenda item 10.

POPs and ozone synergies with other environmental objectives

19. At its 54th meeting, the Executive Committee adopted guidelines for stage I HPMP project preparation that included *inter alia* that:

- “(g) HPMPs should contain cost information at the time of their submission based on and addressing: [...]
- (v) Cost and benefit information based on the full range of alternatives considered, and associated ODP and other impacts on the environment including on the climate, taking into account global-warming potential, energy use and other relevant factors;
- (h) Countries and agencies were encouraged to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from

HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties” (decision 54/39).

20. The Executive Committee adopted Interim guidelines for funding of demonstration projects for the disposal of ODS that included the following provisions addressing synergies. At its 58th meeting, the Executive Committee decided that:

- “(iv) Bilateral and implementing agencies are requested, when submitting activities for funding that are related to the disposal of ODS, to provide:
 - a. in the case of requests for project preparation funding: [...]
 - ii. an indication whether disposal programmes for chemicals related to other multilateral environmental agreements are presently ongoing in the country or planned for the near future, and whether synergies would be possible [...]
 - b. in the case of project submissions: [...]
 - iii. a clear indication how the project will secure other sources of funding; these other sources of funding should be available, at least partially, before the end of 2011. In case of activities of the collection type, any other sources of funding necessary in line with sub-paragraph (iv) a. iv. above related to collection would need to be secured before the project is submitted to the Executive Committee [...]” (decision 58/19(a)).

21. At its 63rd meeting, the Executive Committee approved US \$198,000 for an ODS destruction project in Ghana on the understanding that it would be matched with an Energy Efficiency project with the Global Environment Facility (decision 63/27(b)).

22. At its 68th meeting, the Executive Committee decided to approve the technical assistance project to develop a strategy for the disposal and destruction of ODS for five LVC countries in the Central African region (Burundi, Cameroon, Central African Republic (the), Congo, and Guinea) at the level of funding of US \$80,000, plus agency support costs of US \$10,400 for the Government of France, in line with decision 67/38; on the understanding that: [...]

- (b) UNIDO and the Government of France were encouraged to ensure that the final report and strategy included the following information: [...]
- (iii) Synergies with other conventions dealing with chemicals (Stockholm Convention on Persistent Organic Pollutants) (decision 68/13).

23. An ODS destruction project in Georgia for US \$128,064 that has synergies with POPs was submitted to the Executive Committee at its 69th meeting.

24. At its 19th meeting, the Meeting of the Parties agreed to accelerate the phase-out of production and consumption of hydrochlorofluorocarbons (HCFCs), by way of an adjustment in accordance with paragraph 9 of Article 2 of the Montreal Protocol and as contained in annex III to the report of the Nineteenth Meeting of the Parties, on the basis of the following *inter alia*:

- (9) To encourage Parties to promote the selection of alternatives to HCFCs that minimize environmental impacts, in particular impacts on climate, as well as meeting other health, safety and economic considerations;
- (11) To agree that the Executive Committee, when developing and applying funding criteria for projects and programmes, and taking into account paragraph 6, give priority to cost-effective projects and programmes which focus on, inter alia:
 - (a) Phasing-out first those HCFCs with higher ozone-depleting potential, taking into account national circumstances;
 - (b) Substitutes and alternatives that minimize other impacts on the environment, including on the climate, taking into account global-warming potential, energy use and other relevant factors;
 - (c) Small and medium size enterprises;
- (15) In accelerating the HCFC phase out, to agree that Parties are to take every practicable step consistent with Multilateral Fund programmes, to ensure that the best available and environmentally-safe substitutes and related technologies are transferred from Article 2 Parties to Article 5 Parties under fair and most favourable conditions (decision XIX/6, paras. 9, 11, and 15).

RECOMMENDATION

25. The Executive Committee may wish to note the report on decisions of the Parties at their Twenty-Fourth Meeting regarding the evaluation of the financial mechanism, as contained in document UNEP/OzL.Pro/ExCom/69/38 and to forward a modified version of it to the 25th Meeting of the Parties including any relevant decisions or actions taken at the meetings of the Executive Committee prior to it.
