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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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Montreal, 2-4 April 2003

PHASE-OUT FROM CANCELLED PROJECTS

Introduction

1. In the context of the consideration of projects with implementation delays at its 37th Meeting, the Executive Committee also had a discussion on project cancellation where funds were disbursed and phase-out was achieved (UNEP/OzL.Pro/ExCom/37/10). The Executive Committee decided in this regard to note that actual ODS phase-out from cancelled projects should be recorded, and requested the Secretariat to provide options on how that could be achieved (Decision 37/8).

2. At its 38th Meeting, the Executive Committee requested “the Secretariat, in cooperation with the implementing agencies to prepare a working paper providing options on how phase-out from cancelled projects should be recorded, for presentation to the 39th Meeting of the Executive Committee, taking into account the comments made by members during their discussion of this issue at the 37th Meeting, and inviting further input subsequent to the Meeting” (Decision 38/6(d)).

3. This document is a follow-up to decisions taken at previous meetings of the Executive Committee concerning the subject. It addresses what is meant by counting the phase-out from cancelled projects, indicates proposals for recording ODS phase-out from cancelled projects, options for measuring phase-out in cancelled projects and concludes with recommendations.

Counting ODS phase-out from cancelled projects

4. ODS phase-out is counted by evaluating data in project approvals, progress reports, and project completion reports. In the first case, it identifies the annual amount of phase-out to be achieved from approving a project. In progress reports, this phase-out is tracked until it is recorded as having been achieved by the implementing agencies. It is also further substantiated in project completion reports.

5. The ODS phase-out from a cancelled project was deleted from the project approval data in progress reports when the project was cancelled because no funds had been disbursed at the time of cancellation, all of the funds were returned, and no ODS phase-out was achieved. However, as was indicated at the 37th Meeting, there was an increasing number of projects where most of the approved funds were disbursed, equipment delivered and installed, but no ODS phase-out was associated with the resources that were provided from the Multilateral Fund.

Proposals for recording ODS phase-out from cancelled projects

6. This section reviews the options proposed and discussed at the 37th and 38th Meetings and the suggestions of the Secretariat and the implementing agencies pursuant to Decision 38/6(d).

Proposal to the 37th Meeting

7. At the 37th Meeting, the Secretariat proposed that phase-out should be recorded if the equipment was delivered and most of the project funds had been disbursed. This option was

based on the fact that if the equipment was delivered and the enterprise was given the opportunity to install it, then the ability to phase-out was provided by the Fund.

Apportioning phase-out to the percentage of funds disbursed

8. During the meeting, a proposal was considered from the floor to apportion the amount of phase-out to the level of funds disbursed. For example, if a project would phase out 100 ODP tonnes and 60 per cent of the funds were disbursed, the amount of ODS recorded for this project would be 60 tonnes.

Proposal for allowing the balance of the previous approval for reapplication following project cancellation

9. Members raised concerns about allowing the provision of Decision 29/8 for enterprises whose projects were cancelled to be able to seek reapplication for assistance at a level of funding no greater than that previously approved. Some members felt that the maximum level of funds that could be approved should represent the balance of what was previously approved given the fact that projects were being cancelled where substantial levels of funds had been disbursed. Other members noted that Decision 29/8 allows for a reapplication on a case-by-case basis and therefore when the reapplication would come forward, the Executive Committee would be informed of the level of funds already disbursed and the Committee could take appropriate action on a case-by-case basis. To-date, no projects have been resubmitted to the Executive Committee for funding after they were cancelled.

Options for measuring phase-out in cancelled projects

10. Due to Decision 37/8, implementing agencies were requested to indicate at what milestone during project implementation should the phase-out be considered as having occurred. It was suggested that phase-out should be counted if the cancellation comes after the enterprise had installed the equipment needed for the conversion to non-ODS technology. This option builds upon the recommendation made to the 37th Meeting and the comments during the Meeting on this issue. It defines actual phase-out as having installed the equipment needed for the conversion to non-ODS technology.

11. Based on the above, the following options should be considered by the Executive Committee for recording ODS phase-out from cancelled projects:

- (a) If an enterprise was provided with equipment needed for conversion to non-ODS technology, the full amount of ODS envisioned for phase-out in the approved project should be recorded as the phase-out;
- (b) If an enterprise was provided by some items of equipment, and such items could not be transferred by the implementing agency concerned to another enterprise(s) in the country or the region, the cost-effectiveness of the approved project should be used to calculate an amount of ODS phase-out proportional to the cost of equipment items and other associated costs, by dividing the amount of funds

disbursed to the enterprise by the cost-effectiveness value. The resulting amount should be recorded as the phase-out.

RECOMMENDATIONS

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

1. Note the report on the ODS phase-out from cancelled projects as contained in UNEP/OzL.Pro/ExCom/39/16.
2. Adopt the two options in para. 11 above.
