



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/46/44
6 June 2005

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-sixth Meeting
Montreal, 4-8 July 2005

**CRITERIA FOR THE ASSESSMENT OF THE PROGRESS REPORTS AND
VERIFICATION AUDITS OF MULTI-YEAR AGREEMENTS
(FOLLOW-UP TO DECISION 44/58)**

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1. At its 44th Meeting, the Executive Committee reviewed the second version of the criteria presented by the Secretariat in document UNEP/OzL.Pro/ExCom/44/70 and decided to request the World Bank, in cooperation with other implementing agencies and the Secretariat to organize a one-day seminar on verification and data reporting in the margins of the 45th Meeting with participation by interested parties. It also requested the Secretariat to revise the document in the light of the comments made at the 44th Meeting and of the outcome of the seminar, and present a revised text to the 46th Meeting.

2. This document contains the revisions requested at the 44th Meeting and reflects the views expressed by Executive Committee members at that meeting and, in particular, the results of the workshop on the subject held during the 45th Meeting. Part One of the document presents the revised format for reporting on the implementation of the country programme, which was formerly presented as a format for annual reporting on refrigerant management plans (RMPs). Part Two presents the draft guidelines for the verification of multi-year agreements (MYAs).

PART I: REVISED FORMAT FOR REPORTING ON THE IMPLEMENTATION OF COUNTRY PROGRAMME

3. Annex I contains the revised format for reporting on the implementation of country programme, which was presented in the document submitted to the 44th Meeting as the proposed format for annual reporting on refrigerant management plans (RMPs). However, as it was pointed out by participants at the workshop, the proposed format included the collection of data not only on CFCs, but also on other controlled substances such as halons, and methyl bromide. Since it was considered still to be necessary to continue collecting such data, it would be logical to retain the current data form as the format for reporting on the implementation of country programmes but insert the few additional indicators needed for monitoring the implementation of RMPs. The result is the revised format for reporting on the implementation of country programmes, which is being proposed to replace the existing format from 2006 and to be used by all Article 5 countries to report on the implementation of country programme.

4. In addition, the revised format also incorporates the following changes proposed by participants of the workshop:

Section A

- A column entitled “MDI” and another column entitled “Lab use” are inserted after the column of “Process agent”.

Section B

- In row 2.1, the title “Number of registered ODS importers” is replaced with “Registration of ODS importers”.
- Row 2.2 entitled “agency issuing the importing quotas” is deleted
- Row 3 entitled “Institutional framework for management of ODS phase-out” including rows 3.1-3.4 and row 4 entitled “Information and public awareness on ODS” including

rows 4.1-4.5 are deleted since the same data is gathered under by-annual reporting on institutional strengthening projects.

Section C

- The row entitled “Actual imports (metric tonnes)” is replaced with “Export quotas issued (metric tonnes)” since the actual data on imports are already included in Section A and the data of exports quota was omitted in the original table.
- Under “Import quotas issued (metric tonnes)” and “Export quotas issued (metric tonnes)”, additional rows “Halon 1211”, “Halon 1301”, “Carbon tetrachloride”, “Methyl chloroform”, “Methyl bromide” and “HCFC-141b” are added.
- Under “Export quotas issued (metric tonnes)”, additional row “HCFC-22” is added”.
- Under “Recovery/recycling/reused (metric tonnes)”, the rows for “HCFC-22 recovered”, “HCFC-22 reused”, “HFC-134a recovered”, “HFC-134a reused” are deleted. Rows for “Number of recovery machines in operation” and “Number of recycling machines in operation” are replaced by “Number of funded recovery machines in operation” and “Number of funded recycling machines in operation” respectively.

Section D

- Replace the title “Qualitative assessment” with “Qualitative assessment of the operation of RMP”

RECOMMENDATIONS

The Secretariat recommends that in view of the significant challenges posed by the 50 per cent reduction of Annex A Group I substances in 2005 and especially the 85 per cent reduction in 2007 to Article 5 countries, and the need to enhance monitoring of the implementation of RMPs to enable the Multilateral Fund to assist as early as possible before non-compliance becomes an issue, the Executive Committee may wish to:

1. Approve replacing the existing format for reporting on country programmes by the revised format for reporting on country programmes contained in Annex I to this document.
2. Request national ozone units to report on the implementation of the country programme using the revised format, starting in 2006.
3. Request the Secretariat to incorporate the data so collected in the annual analysis forecasting on the compliance potential of Article countries.
4. Review the revised format at the last meeting of the Executive Committee in 2007.

PART II: DRAFT GUIDELINES FOR CONDUCTING VERIFICATION AUDIT OF MULTI-YEAR AGREEMENTS (MYAs)

1. There was not a full exchange of views on the draft guidelines at the workshop. The workshop heard the presentation by Thailand of its successful experience in carrying out the verification audits with the World Bank, and the presentations by UNDP and UNIDO on issues resulting from implementation of verifications. In commenting on the UNDP and UNIDO presentations, a number of Executive Committee members expressed their views on the draft guidelines (see Appendix of the Report of the World Bank in Annex III). There seemed to be a convergence on several issues, which were more of a policy rather than of a technical nature. These need to be reviewed and debated upon by the Executive Committee. To assist the discussion, the Secretariat has outlined these issues below, together with the arguments being advanced under each.

The authority to verify

2. The verification proposes to review national legislation on ODS imports/exports, the Government structure of enforcing such legislation, and customs data. It is however thought to be doubtful whether the Agreement between the Government and the Executive Committee provides such an authority to the implementing agencies or to an external entity to audit the actions of a government. For example, a foreign entity could be prevented from accessing customs data by local law.

3. The authority to verify is evidently linked to the nature of the organization which conducts the verification. A number of organizations have emerged from the discussions that could be candidates for carrying out such verifications and those need to be assessed, keeping in mind that the agent for the verification should generate a reasonable level of confidence to the process and the results of verification:

- Reputable international or national institutions under the supervision of the implementing agencies. This is the option currently proposed by the guidelines.
- Reputable international or national institutions managed by the Secretariat (a proposal from Austria/Sweden)
- National auditing authority, with responsibility to audit government institutions.
- National ozone units (a proposal from Austria/Sweden)

Cost to verify

4. The cost of verification is part of project administration and is included in the support cost of the MYAs. However, it is viewed by a number of implementing agencies that the costs could be too high to be paid for from the support cost. It is not clear how much of this is related to the issue of whether a local organization is less costly than an international one.

Timing of verification

5. It is specified in each of the MYAs that a verification report needs to be submitted together with the funding request for the next tranche. However it is queried that if the funding request is due at the first Executive Committee meeting of the year, there may not be time enough to complete the verification within the first quarter of the new year.
6. There are several cases where the release of funding is linked to the verification of the programme performance in the year before one year that has just ended. For example, in some agreements the 2005 funding tranche is conditioned on the verification of the 2003 annual work programme. The Committee will also wish to be aware that some difficulties in completing verifications for work programmes carried out in the previous year (e.g. 2004) have arisen for tranches due at the second meeting of the following year (e.g. 2005).
7. The draft guidelines for the verification of MYAs, which were presented to the workshop at the 45th Meeting are re-produced in Annex II. They include the conceptual basis, the verification procedure and data requirements and are shown in PowerPoint slide format.

RECOMMENDATION

The Secretariat recommends that the Executive Committee should provide guidance on the 3 policy-related issues discussed in this document regarding the draft guidelines and subsequently adopt, as general guidance, the proposed conceptual basis, the procedures and the data requirement for the verification. This would enable the implementing agencies to proceed with the verifications mandated under the multi-year agreements.

Annex I

REVISED COUNTRY PROGRAMME REPORT FORMAT

COUNTRY: XXXXXXXXX

YEAR: January to December of the year

YYYYYYYYYY

A. Data on Controlled Substances (in METRIC TONNES)

NOTE: Data entry is required in UNSHADED cells only

Substance ¹	Consumption by Sector												Import	Export ²	Production ²		
	Aerosol	Foam	Fire Fighting	Refrigeration		Solvent	Process agent	MDI	Lab Use	Methyl bromide*		Tobacco fluffing				TOTAL	
				Manufacturing	Servicing					QPS	Non-QPS						
Annex A, Group I																	
CFC-11													0.00				
CFC-12													0.00				
CFC-113													0.00				
CFC-114													0.00				
CFC-115													0.00				
Sub-Total	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Annex A, Group II																	
Halon 1211													0.00				
Halon 1301													0.00				
Halon 2402													0.00				
Sub-Total			0.00										0.00	0.00	0.00	0.00	0.00
Annex B, Group II																	
Carbon tetrachloride													0.00				
Sub-Total						0.00	0.00		0.00				0.00	0.00	0.00	0.00	0.00
Annex B, Group III																	
Methyl chloroform													0.00				
Sub-Total						0.00	0.00		0.00				0.00	0.00	0.00	0.00	0.00
Annex C, Group I																	
HCFC-22													0.00				
HCFC-141b													0.00				
HCFC-142b													0.00				
HCFC-123													0.00				
Other ³													0.00				
Sub-Total		0.00	0.00	0.00	0.00								0.00	0.00	0.00	0.00	0.00
Annex E																	
Methyl bromide													0.00				
Sub-Total													0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00

* QPS = Quarantine and pre-shipment; Non-QPS = Non-quarantine and pre-shipment.

1 Where the data involves a blend of two or more substances, the quantities of individual components of controlled substances must be indicated separately, e.g.: For R502 consisting of 51.2% CFC-115 and 48.8% HCFC-22, indicate the total quantity of each controlled substance (i.e., CFC-115 and HCFC-22) in the appropriate row.

2 Where applicable.

3 Indicate relevant controlled substances.

XXXXXXXXXX

B. Regulatory, administrative and supportive actions

TYPE OF ACTION / LEGISLATION		Ongoing (Yes/No)	Since when (Date)
1.	REGULATIONS:		
1.1	<i>Establishing general guidelines to control import (production and export) of ODSs</i>		
1.1.1	ODS import/export licensing or permit system in place for import of bulk ODSs		
1.1.2	Regulatory procedures for ODS data collection and reporting in place		
1.1.3	Requiring permits for import or sale of bulk ODSs		
1.1.4	Quota system in place for import of bulk ODSs		
1.2	<i>Banning import or sale of bulk quantities of:</i>		
1.2.1	CFCs		
1.2.2	Halons		
1.2.3	Other ODSs (CTC, TCA, methyl bromide)		
1.3	<i>Banning import or sale of:</i>		
1.3.1	Used domestic refrigerators or freezers using CFC		
1.3.2	MAC systems using CFC		
1.3.3	Air conditioners and chillers using CFC		
1.3.4	CFC-containing aerosols except for metered dose inhalers		
1.3.5	Use of CFC in production of some or all types of foam		
1.4	<i>Training and certification programmes</i>		
1.4.1	Requiring training of customs officers		
1.4.2	Requiring training of refrigeration service technicians		
1.4.3	Requiring certification of refrigeration service technicians		
1.4.4	System for monitoring and evaluation of training programmes		
1.5	<i>Recovery and recycling of CFCs</i>		
1.5.1	Mandatory recovery and recycling of CFCs		
1.5.2	Monitoring system for reporting on recovered and recycled CFCs		
1.6	<i>Other regulations (please specify)</i>		
1.6.1			
1.6.2			
2.	ENFORCEMENT OF ODS IMPORT CONTROLS		
2.1	Registration of ODS importers		
2.2	A shared database on import quotas and actual imports between ozone office and customs (Yes/No)		
2.3	Number of instances of unauthorized ODS imports stopped		
2.4	Estimated quantity and origin of unauthorized ODS imports		

XXXXXXXXXX

C. Quantitative assessment of the phase-out programme

Description	2004	2005	2006	2007	2008	2009	2010
Import quotas issued (metric tonnes)							
CFC-11							
CFC-12							
CFC-113							
CFC-114							
CFC-115							
Halon 1211							
Halon 1301							
Carbon tetrachloride							
Methyl chloroform							
Methyl bromide							
HCFC-22							
HCFC-141b							
HFC-134a (Optional)							
Export quotas issued (metric tonnes)							
CFC-11							
CFC-12							
CFC-113							
CFC-114							
CFC-115							
Halon 1211							
Halon 1301							
Carbon tetrachloride							
Methyl chloroform							
Methyl bromide							
HCFC-22							
HCFC-141b							
Retail price of ODS/substitutes (US\$/kg)							
CFC-11							
CFC-12							
CFC-113							
CFC-114							
CFC-115							
R-502							
HCFC-22							
HFC-134a (Optional)							
Training programmes							
Number of trainers for customs							
Number of customs officers trained							
Number of trainers for technicians							
Number of technicians trained							
Number of technicians certified							
Recovery/recycling/reused (Metric tonnes)							
CFC-12 recovered							
CFC-12 reused							
Number of funded recovery machines in operation							
Number of funded recycling machines in operation							
Number of end-users converted							
Number of end-users retrofitted							

D. Qualitative assessment of the operation of RMP

1. Is the RMP and its components (recovery and recycling programmes, training of technicians and customs, and legislation) proceeding as scheduled:

- Yes
- No

If not, please specify milestones and completion dates with delays, and explain reasons for the delay and measures taken to overcome the problems: _____

2. The ODS import licensing scheme functions:

- Very well
- Satisfactorily
- Not so well

Please specify problems encountered: _____

3. The CFC recovery and recycling programme functions:

- Very well
- Satisfactorily
- Not so well

Please specify problems encountered: _____

4. The RMP will enable the Government to achieve:

- the 50% CFC reduction target in 2005
- the 85% CFC reduction target in 2007
- the complete phase-out of CFC in 2010

5. Additional measures that are needed and planned to assist in the implementation of the RMP and to achieve compliance:

E. Comment by bilateral/implementing agency(ies)

Annex III

REPORT OF THE WORKSHOP ON THE DRAFT FORMAT FOR ANNUAL REPORTING ON REFRIGERANT MANAGEMENT PLANS (RMPs) AND DRAFT GUIDELINES FOR VERIFICATION OF MULTI-YEAR AGREEMENTS (MYAs) (SUBMITTED BY THE WORLD BANK)

1. In its decision 44/58 the Executive Committee requested that the World Bank, in cooperation with the other implementing agencies and the Secretariat, organize a one-day seminar on verification and data reporting, to be held in the margins of the 45th Meeting of the Executive Committee.
2. Accordingly a Workshop on the draft Format for Annual Reporting on Refrigerant Managements Plans (RMPs) and draft Guidelines for the Verification of multi-year agreements (MYAs) was held on 8 April 2005, at the end of the 45th Meeting of the Executive Committee, at the headquarters of the International Civil Aviation Organization (ICAO) in Montreal (Canada). It was attended by most of the participants of the 45th Meeting of the Executive Committee.
3. The Workshop was opened by the Facilitator, Mr. Steve Gorman of the World Bank, who welcomed the participants and reminded them that the purpose of the workshop was to review the draft format for annual reporting for RMPs and the draft guidelines for verification of MYAs, including obtaining suggestions on the level of information that needed to be included.
4. The Chief Officer of the Multilateral Fund Secretariat said that the Secretariat attached great importance to the draft guidelines as they would enable the Executive Committee to have advance knowledge of any difficulties in the implementation of Montreal Protocol obligations by Article 5 Countries. She stressed that advance knowledge of such difficulties was essential in order to allow the Multilateral Fund to take action as early as possible to assist countries before they fell into non-compliance.

Draft Format for Annual Reporting on Implementation of Refrigerant Management Plans

5. The representative of the Secretariat said that to date there had been inadequate feedback from low volume consuming countries on the status of the implementation of Refrigerants Management Plans and that there was a need for early compliance monitoring and timely intervention by the Executive Committee. He said that while Article 7 data was the yardstick for measuring compliance with the obligations under the Montreal Protocol, it was however received too late to be a useful early warning indicator. Instead he proposed using the levels of activity in implementing the legislation on ODS imports and exports, the retail prices of CFCs and their substitutes and the estimated amount of CFCs recovered and reused as possible early warning indicators. He also said that the draft format had been based on the country programme reporting format because that format contained the ODS consumption data by sector and information on national legislation pertaining to ODS. The country programme reporting format was currently in use and was also reported annually in May by Article 5 countries.
6. In response to a question from one participant, the Secretariat agreed that the draft format appeared to go beyond the refrigerant management plan format and that that it could be renamed “the

revised country programme reporting format” which should be used by all Article 5 countries in place of the current country programme reporting format.

7. After a discussion as to whether the precise or estimated amount of CFCs recovered and reused ought to be reported, and how implementation of national legislation could usefully be used as an indicator, the Facilitator said that there appeared to be consensus that the estimated level of ODS recovered and reused ought to be as precise as possible, and that the level and enforcement of legislation should be useful if it was taken as being simply indicative of the progress being made by a country.

8. The participants suggested a number of revisions to the draft revised country programme format. In particular it was suggested that laboratory use and MDI should be included as additional sectors and that it was important to make a distinction between essential, non-essential and laboratory use. Some participants said that it was not useful to know the number of registered ODS importers in a country and that it might be preferable to know the requirement of licensing of importers. Consideration was given whether the number of unauthorized ODS imports being stopped should be used as an indicator or whether using the amount of penalties being levied might be more useful. It was also suggested that it was important to collect ODS export data in addition to import data. Information flow between customs license issuing department is important as an indication of the enforcement of the licensing of ODS on imports/exports, however this flow might be in the form of a common database rather than a shared database. The inclusion of the name of the agency issuing the import quotas was not felt to be a useful indicator.

9. The participants also suggested revisions to the indicators for the qualitative assessment of the phase-out programme. It was suggested that HCFC-141b, CTC, TCA, and methyl bromide be included in the list of ODS substances, and that the recovery and reuse of HCFC-22 and HFC-134a should be deleted from the list. One participant also suggested that as the actual data on controlled substances was already being reported in the revised country programme, it was unnecessary to include the same information in the quantitative assessment of the phase-out programme. Participants also expressed concern at the use of retail prices of the listed chemicals as an indicator, and were unsure how this price would be established consistently from year to year. Some sought clarification whether the data on the use of recovery and recycling equipment covered all the equipment in use in the country or only that funded by the Multilateral Fund.

10. Following the discussion of the various elements for the draft format and suggestions for the modification or deletion of some of the elements in it, the Facilitator indicated that there had been substantial agreement on the revised country programme format although there was still some doubt by one member on whether to include the retail price of ODS or their substitutes as an indicator.

Draft Guidelines for Multi-year Agreements

11. The representative of the Secretariat noted that the annual verification of multi-year agreements was an integral part of the projects and was essential to enable further funding tranches to be released under the agreements. He also stressed that the implementing agencies were responsible for carrying out the verification of the multi-year agreements. The conceptual basis for such verification was the definition of consumption under the Montreal Protocol, that is, consumption equalled production plus imports minus exports of ODS.

12. In the discussion that followed, participants asked for clarification on a number of issues. One participant suggested that there was some overlap between the annual verification of multi-year agreements and the reporting of National Phase-out Plans, while another participant said that the implementing agencies should not be involved in the verification process as they were also parties to the multi-year agreements. He stressed that any verification of official statistics on imports and exports by either the Multilateral Fund Secretariat or the Executive Committee would be unacceptable.

13. The representative from Thailand presented Thailand's experience with carrying out the verification of multi-year agreements with respect to CFCs, 1,1,1-TCA and CTC. In Thailand verification was the joint responsibility of the Department of Industrial Works and the Customs Department. Independent auditors certified the information collected, and the verification process related to the imports and exports of these chemicals. In Thailand each ODS importer needed to be registered with the National Ozone Unit and was assigned a quota which decreased annually by 10 per cent. The quotas would cease in 2010, and no new ODS quotas were being issued by Thailand. In addition to the quotas, ODS importers required a permit for each shipment of ODS, and were also required to submit a copy of the Invoice and Bill of Lading for such shipments. The verification process was coordinated with the Customs Department, and at the time of the actual shipment of the chemicals each ODS importer or exporter was required to submit to the Customs Department a copy of the import permit from the Department of Industrial Works, the clearance form from the Department of Industrial Works, as well as the originals of the invoice and the bills of lading.

14. The representative of UNDP presented UNDP's experiences with carrying out verifications of reductions related to total consumption of CFCs, and noted that the production of CFC-11, CFC-12 and HCFC-22 had ceased in Brazil in 1999. The verification process had highlighted a number of difficulties, including difficulties in finding an independent auditor who had experience with the Montreal Protocol. Related to that was the cost of verification. In the case of Brazil, UNDP had received only two bids to conduct verifications; one for US \$5,000 and the other for US \$25,000. More recent bids for verification projects had ranged from US \$16,000 to US \$50,000. Further the auditors were not always familiar with the ways in which information needed to be reported under the Montreal Protocol, and sometimes misunderstood the year for which reports were being made. It had also been difficult to obtain certain types of detailed information on enterprises, as that was often protected from disclosure by national legislation. Additionally, the coding process used by the Customs Department had not been detailed enough to capture the distinctions between certain types of chemicals being phased out under the Montreal Protocol.

15. The representative of UNIDO presented UNIDO's experiences with the verification process. She said that UNIDO had completed two audits based on the draft guidelines, namely for CFC production closure in Mexico and ODS production closure in the Democratic People's Republic of Korea. Local auditors had been used to reduce costs, although she echoed the concerns of the representative of UNDP and said that it would not be possible to continue to fund the annual verifications from the agency support costs. She said that as the countries had assumed the responsibility for the verification process when they had signed the multi-year agreements, the funds to finance the annual verification ought to come from the National Phase-out Plans. She noted that the National Ozone Officers were better placed to collect data required by the draft guidelines, and that for the implementing agencies to collect the same information would lead to a duplication of

effort. The verification process was also complicated and as it was often difficult to present the results of the annual verification in a timely way before the release of the next tranche of funding, and it might be preferable to use the previous year's annual verification for that purpose instead.

16. The Facilitator said that as there had been insufficient time to discuss the draft guidelines in detail, or the issues raised by the implementing agencies, the text of the presentations made by the implementing agencies would be circulated to the participants. He invited all participants to submit their comments on the draft guidelines, and on the presentations made by the implementing agencies, to the Secretariat by 15 May 2005. The Secretariat would then prepare a note incorporating the comments received by that date for consideration by the Executive Committee at its 46th Meeting.

17. Based on the discussions the workshop recommended:

- (a) That the Secretariat circulate the issues identified by UNDP and UNIDO in their presentations to the participants at the workshop;
- (b) That the Secretariat invite the participants at the workshop to submit their comments on the issues raised by UNDP and UNIDO in their presentations, as well on any other issue raised during the discussion of the draft guidelines for Multi-year Agreements; and
- (c) That the Secretariat prepare a note to be attached as an annex to the present report based on the comments received on or before 15 May 2005 from the participants at the workshop.



Multilateral Fund

for the Implementation of the Montreal Protocol

Annex II

Draft Guidelines for Multi-year Agreements

Workshop in Montreal

April 2005

Why a need for an annual verification MYAs?

Mandatory for release of funding tranches

Who is responsible for carrying out verification?

Implementing Agencies

Conceptual basic for verifications

- Montreal Protocol definition of consumption:
Production + Imports – Exports
- The consumption data versus use data

**Question: How does the conceptual basis fit in
 with the verification of sector plans?**

Verification procedures

1. Review national legislation on ODS imports/exports, including:
 - Channel of communication between Government and customs
 - Authorized list of importers/exporters and distributors
 - Conditions of issuing licenses
 - Administrative procedures and documentation
 - System of monitoring and reporting on trade in ODS
 - Sanctions or penalties imposed on violation of legal regulations
 - Mechanisms and capacities for prosecution and enforcement
 - National system of customs codes in addition to identifying substances and mixtures

Verification procedures (cont'd)

- Procedure applied in case of suspicious shipments
 - Sampling or other identification methods used
2. Review official statistics on imports/exports: quota issued versus actual quota used
 3. Review records of a representative sample of importers/exporters and distributors
 4. Review follow-up plan on recommendations by previous audits
 5. Discuss conclusions and recommendations

Data needed for verification

- List of authorized importers/exporters and distributors
- Actual imports and exports
- Import and export quota issued
- Legislation and import/export licensing system
- Government enforcement structure
- Documents (licenses, trade names, code number, labeling, etc.) to be presented to customs by importers of ODS

Qualifications of the verification team:

Reputable international and national institutions

Funding the verifications:

Support cost of the implementing agencies provided by the Multilateral Fund

Appendix

1. As per the request of the Facilitator of the workshop on the draft format for annual reporting on refrigerant management plan (RMPs) and draft guidelines for verification of multi-year agreements (MYAs), the Secretariat circulated to all members of the Executive Committee, including the co-opted ones, the presentations by UNDP and UNIDO on the MYAs on 25th April and requested comments thereon by 15 May 2005. By the end of May, the Secretariat received comments from Austria (Sweden), Brazil (Argentina) and United Kingdom (France). Those were reproduced below:

Austria (Sweden)

2. Regarding independent verification of Multi-Year Agreements (MYA) Sweden would like to propose that the verification to be done by the concerned Government is sufficient if it includes the cross-checking as proposed by the Fund Secretariat (FS) in the Guidelines for Verification (Doc. 44/70). Verification including cross-checking with the records of importers, customs and the quota issued are needed, but it should generally be done by sovereign Governments. If the verification gives rise to questions, it should be possible for the FS to send an independent – and on the issues qualified— auditor to carry out an independent verification. A selection of a number of countries (approx. 5-10) where auditing from the FS is to be done for a certain year could also be considered.

3. We do not believe that it is cost efficient to develop skills of hundreds of auditing firms in hundreds of countries so that they grasp the high complexity of the Ozone Depleting Substance (ODS) consumption in the societies of developing countries. This knowledge has over the years been successfully built within the National Ozone Units (NOU) and within the FS. An increased budget for trained auditors within the FS would perhaps need to be considered.

4. The reporting of the annual consumption figures in MYA resembles that of A7 Reporting were the figures provided by the sovereign Governments are accepted by the Ozone Secretariat. Issues that arise are solved bilaterally. Against this background we do not believe that it is reasonable to request that governmental reports on MYAs to the Fund Secretariat are independently audited.

5. The presentations at the workshop held in April 2005 from Thailand, UNDP and UNIDO showed several difficulties in obtaining independent verification that has to be acknowledged:

- (a) The skills and presence of the NOU is always needed in order for an auditor to understand the job and to get access to other authorities' files. An auditing firm cannot get access to enterprise level information through Government systems. A duplication of efforts is unavoidable and as such gives less independence in the process.
- (b) For MYA with a low funding, costs associated with the auditing are substantial and would lead to a situation where less funds are spent on activities.

- (c) To find a professional firm with experience and an understanding of the Montreal Protocol/Multilateral Fund rules and in the refrigeration sector is difficult and very costly.
- (d) Consumption in the servicing sector will always need to be a qualified estimate and is therefore difficult to verify precisely by an external firm.

Brazil (Argentina)

6. Comments that follow have been elaborated having in mind that the draft guidelines are intended to enable the Executive Committee to have advance knowledge of any difficulties in the implementation of Montreal Protocol obligations by Article 5 Countries, in order to allow the Multilateral Fund to assist countries as early as possible before they fell into non-compliance.

General Comments

- Audit should be done on the specific Annex-Group included in the NPP and not all of the data reported to MPMF Secretariat.
- Implementing agencies have been designated as responsible for carrying out the verification process of the multi-year agreements in most of the agreements.
- Any verification of official statistics on imports and exports by either the Multilateral Fund Secretariat or the Executive Committee might be unacceptable for some governments, even more by external auditors.
- On the other hand, we believe that we are talking of a technical audit, which means that auditors should now the issue to be audited and not merely accounting issues, which in the case of the Montreal Protocol needs a special expertise.
- It's very difficult to find auditors that are familiar with the ways in which information must be reported under the Montreal Protocol, this places a big burden for the NOU, since National Ozone Officers are knowledgeable on how to collect data required by the draft guidelines.
- In view of these facts, it is expected that cost of verification will be high. The funds to finance the annual verification ought not to come from the National Phase-out Plans.

Specific Comments on III.2.5

- Implementation of national legislation used as an indicator: the level and enforcement of legislation could be useful if it is taken as being simply indicative of the progress being made by a country. Verification of compliance has proven to be difficult.
- Actual imports and exports by the authorized importers and exporters, supported by customs declaration forms, any/or other supporting documentation, if available. Doubt whether the Customs Office will allow this type of audit.
- Number of registered or licensed ODS importers in a country: are not indicative of compliance of targets. List of importers and exporters authorized by the Government is more useful.

- List of distributors authorized by the Government if available: no need for this, doesn't demonstrate compliance. Difficult to have this type of register.

Specific Comments on III.2.6

- Review on a representative sampling basis if necessary, the records of importers/exporters against the customs records and the quota issues; this means an auditing of importers/exporters which is not required by law. Cannot get official access to enterprise level information through Government system. Difficult to obtain certain type of detailed information of enterprises, as they are often protected from disclosure by national legislation.

Specific Comments on III.2.7

- The contractor must be a reputable audit institution that has international or national accreditation such as certified accountants.
- This type of audit is beyond the mandate of the ExCom, and the agreement signed between the Government and the ExCom.
- In the agreement signed with the ExCom it is clear that the independent verification should be done by the IA, and not by an audit institution with national or international accreditation.
- In many countries there is no national accreditation. This means too, that the audit will be more expensive, situation that was not envisaged in the agreement.

Specific Comments on Annex I.B

- 1.1.3 Requiring permits for sale of bulk ODSs, 1.2 banning sale of bulk quantities of ODSs: we do not understand which is the use of these potential measures.
- 1.4.4 Having a system to monitor and evaluate training programmes by legislation means that the NOU or the government must invest a lot of money to do so.
- 1.5.1 Mandatory recovery and recycling of CFCs: very difficult to monitor compliance, it means to work by each technician to control their work.
- 2.4 Number of unauthorized ODS imports being stopped used as an indicator: indicator that doesn't reflect if the country is in compliance with targets.

Specific Comments on Annex I.C

- Use of retail prices of the listed chemicals as an indicator: would be difficult to establish consistently this price from year to year. Prices vary a lot depending on the size of the package in which is sold, the location of the place where it is sold and the volume consumed, and payment conditions. In a big country as Argentina getting this information would be very costly, since the auditors should travel to several provinces to check the price in each place. Management of market prices for commercial policies

demonstrates this indicator is not a reliable one, since it is used by chemical providers to satisfy their own competitive policies.

- Amount of CFCs recovered and reused that might be reported is the one reported by recipients of equipments funded by the Multilateral Fund, so it can only be considered as estimate. The government cannot have control of the rest of service workshops. How can on site recovery be controlled?
- Recovery and reuse of HCFC-22 and HFC-134a should be deleted from the list since are not required by Montreal Protocol.
- Number of recovery machines in operation: once more, only the equipments provided with funds of MPMF can be reported. The rest is impossible to survey and control.
- Number of end-users converted or retrofitted: this is information that only the service workshops have and is not easy to gather this information in a reliable way.
- The last comments would increase significantly the budget of a NOU if these requirements are accepted in the guidelines. Who is going to pay for this?

7. We agree that some type of verification should be done, but as agreed with ExCom should be undertaken by the IA. If the audit should be undertaken by a certified (internationally) auditing firm, then the expenses should be paid by the MPMF Secretariat or the IA??

8. Additionally, we propose that the TOR for the verification audit should be described in accordance with the real situation of a country.

United Kingdom (France)

9. From the 2 presentations of UNDP and UNIDO, we would generally agree that the following points be further discussed:

- The cost and funding of the verification process of multi-year agreements (MYA) and the impact of its results.
- The roles of partner agencies.
- The timing issue: Data needed for MYA verification is not always available in time to submit a request for funding of a further tranche at the first ExCom meeting of the year. MYA agreement on the other hand are approved at any one of the ExCom meetings. What would be the consequences of making it possible to request for a further tranche not at the first meeting of the year, but at the end of one year's implementation.
