



## MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

*Secretariat*

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### **Post Meeting Summary of Decisions of the 46th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol**

#### **Introduction**

The 46<sup>th</sup> Meeting of the Executive Committee, which took place in Montreal from 4 to 8 July 2005, was attended by the representatives of the 14 Executive Committee member Parties and by participants from 18 other co-opted countries (see attached list). Mr. Paul Krajnik of Austria presided over the second meeting of his term as Chair of the Executive Committee for 2005. The President and Vice President of the Implementation Committee of the Montreal Protocol, representatives of the Ozone Secretariat and a representative of the Alliance for Responsible Atmospheric Policy, an industry NGO, also attended the meeting.

In 2005 Article 5 countries were also expected to achieve a number of Montreal Protocol targets, specifically reductions in consumption of 50 per cent below their respective CFC baselines and 85 per cent below their carbon tetrachloride (CTC) baselines, as well as a reduction of 30 per cent in the consumption of methyl chloroform (TCA) and 20 per cent in the consumption of methyl bromide. Therefore one of the objectives for 2005 was to fully utilize the remainder of the 2003-2005 triennial budget by the end of the year so that countries could comply with their Montreal Protocol commitments.

The Committee followed its established programme of work for the second meeting of the year which included consideration of the progress reports of the bilateral and implementing agencies for the preceding year, the accounts of the Multilateral Fund, the evaluation of the 2004 business plans and approval of investment projects. Furthermore the Committee also considered the final report on the evaluation of methyl bromide projects taking up a number of recommendations to improve the effectiveness of future activities in this sector, adopted criteria and modalities for chiller demonstration projects, endorsed the text of the draft agreements between the Treasurer and the implementing agencies and completed the documentation of the internal procedures and practices of the Treasurer, UNEP.

The Executive Committee took a total of 42 decisions; the most significant decisions and discussions are outlined below.

## **Resource availability, allocation and business planning**

### ***Availability of resources (decision 46/2)***

At the outset of the meeting, the Executive Committee examined the availability of financial resources. An estimated US \$91,985,148, consisting of cash, promissory notes, and balances returned, was available. This amount was sufficient to fund the projects and activities that were under consideration at the 46<sup>th</sup> meeting.

### ***2005 Business plans (decision 46/3)***

In light of the request of the Fourteenth Meeting of the Parties to commit the whole of the Multilateral Fund budget for 2003-2005 by the end of 2005 (decision XIV/39), it was important that all projects and activities foreshadowed in the implementing agencies' 2005 annual business plans would be submitted for approval in 2005. Submissions currently outstanding in the 2005 business plans included twelve new multi-year agreements and 205 other projects, plus activities for the global chiller programme totalling some US \$133 million.

The Executive Committee urged bilateral and multilateral implementing agencies with projects in the 2005 business plans for countries subject to decisions of the Meeting of the Parties on compliance to submit those projects to the 47<sup>th</sup> Meeting of the Executive Committee as a matter of urgency.

The Committee also asked that in future reports on the status of implementation of the annual business plans, more detailed explanations should be given for projects to be submitted for countries subject to compliance decisions, since implementation of such activities was a priority.

### ***Status/prospects of Article 5 countries in achieving compliance (decision 46/4)***

The Executive Committee considered the latest report on the status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol. The report showed that projects and agreements for funding were already in place for the elimination of all but some 16,373 ODP tonnes of ozone depleting substances (ODS).

The Executive Committee asked the Secretariat to reformat future reports to focus on actual and potential compliance issues, to address the 85 per cent reduction for CFCs in 2007, and to include a report on all Article 5 countries, not just countries supported by the Multilateral Fund, in order to focus on countries at risk of non-compliance.

The Executive Committee also asked agencies to ensure that project proposals submitted to the 47<sup>th</sup> meeting would address a number specific compliance issues, namely, halons in Kyrgyzstan and Somalia and CTC in Nepal, Sierra Leone, and Uganda.

The Executive Committee urged agencies implementing institutional strengthening projects to inform National Ozone Units of their data reporting requirements vis-à-vis the two-year renewal of institutional strengthening projects. Only 66 Article 5 countries had submitted 2004 country programme implementation data for the status/prospects report presented to the 46<sup>th</sup> meeting.

## **Evaluation activities**

### ***Final report on the evaluation of methyl bromide projects (decision 46/5)***

The evaluation study on methyl bromide projects demonstrated that a major problem facing methyl bromide phase-out projects was that some users were not convinced that there was an economically competitive replacement for methyl bromide. Additionally, users' reluctance to change their approach to production and process management appeared to be an equal or greater challenge to the adoption of methyl bromide alternatives. The Executive Committee took a detailed decision aimed at involving all stakeholders in a country in the preparation and implementation of methyl bromide projects, and strengthening cooperation and partnerships amongst key players.

The Executive Committee urged agencies and countries to examine the long-term sustainability and economical viability of alternatives to methyl bromide in more detail and that relevant government authorities should be assisted to develop policy measures from the onset of project implementation.

In order to promote dissemination of information, the Executive Committee requested UNEP and UNIDO to continue updating and maintaining their joint website on methyl bromide and asked other implementing agencies to supplement the site with their experiences in the implementation of methyl bromide projects. On another front, the Executive Committee requested relevant agencies to explore the feasibility of regional agreements between Article 5 countries facing similar methyl bromide phase-out issues in order to facilitate phase out, standardize regulations and minimize the risk of illegal trade.

### ***Desk study on non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform (decision 46/6)***

The desk study on non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform stemmed from discussions of the Executive Committee at its 43<sup>rd</sup> meeting on the causes of implementation delays, and the Executive Committee's concern that such delays could contribute to non-compliance in various countries. The Executive Committee requested that a full analysis and follow-up study be included in the monitoring and evaluation work programme for 2006, and that countries in non-compliance be included in the sample of field visits in the follow-up study.

## **2004 Progress reports of implementing and bilateral agencies (decisions 46/8-13)**

Progress reports presented by the implementing and bilateral agencies annually cover the agencies' accomplishments in terms of financial disbursement rates, project completion and ODS phase-out achieved. The Executive Committee noted that the 2004 progress reports showed a slow rate of project completion and a lower level of phase-out than planned and therefore encouraged implementing agencies and Article 5 countries to expedite project implementation.

The Executive Committee also requested the Secretariat, in collaboration with the bilateral and implementing agencies to address the issue of how to account for progress in the

implementation of projects with annual funding tranches and to prepare a discussion paper outlining new options for monitoring and assessing the progress of implementing agencies with regard to multi-year agreements, with a view to reflecting more accurately the actual progress and phase-out achieved.

### **Project implementation delays (decision 46/15)**

At the 46th meeting a number of ongoing projects were classified as having implementation delays, i.e. projects expected to be completed over 12 months late or where the first disbursement had not occurred 18 months or more after project approval. These projects were subject to the Executive Committee's procedure for project cancellations and would continue to be monitored at subsequent Executive Committee meetings. Two projects in Argentina were cancelled with the agreement of the Government of Argentina.

### **Project approvals (decisions 46/17 to 46/32)**

The Executive Committee approved projects amounting to almost US \$24 million, and associated support costs, to phase out 6,529 ODP tonnes of consumption and 16,171 ODP tonnes of production, including funding extensions to institutional strengthening projects in 12 countries. The Executive Committee also agreed on a total of US \$3.1 million to finance a comprehensive plan to assist Egypt to completely phase-out the use of CFCs in the refrigeration sector by the 2010 Montreal Protocol deadline. Another US \$2 million in Multilateral Fund support was approved for Brazil to fund a project that would lead to the total phase-out of the use of methyl bromide.

### **Study on criteria and modalities for chiller demonstration projects (decision 46/33)**

At its 45<sup>th</sup> Meeting, the Executive Committee established a funding window for 2005 for the chiller sub-sector, amounting to US \$15.2 million, and decided to examine criteria and modalities for chiller demonstration projects. This included how different regional funds for this sector might come into operation so that chiller demonstration projects could be considered at the 47th meeting in November 2005 (decisions, 45/5 45/6, 45/7 and 45/8).

Based on discussions, in plenary and in a contact group established by the Committee, of a policy paper prepared by the Secretariat, it was decided to utilize the funding window of US \$15.2 million for additional demonstration projects in the chiller sub-sector, on the understanding that no further funding for chiller replacement would be approved by the Executive Committee. A number of conditions for investment projects would be applied such as the relevant countries should have enacted enforced legislation to phase out ODS; the maximum grant to a country would be US \$1,000,000; and, as the project would also have to use financial resources outside the Multilateral Fund (such as national programme or the Global Environment Facility), the credibility of those financial resources would have to be indicated when the project was submitted for approval by the Executive Committee.

The Executive Committee approved funding for project preparation by the multilateral implementing agencies. This funding would include the costs of participation in coordination

meetings between the Secretariat and agencies, development of project methodologies and demonstration project proposals, to be prioritized according to a number of specific criteria in order to facilitate the decision-making process of the Executive Committee. The Executive Committee also asked UNEP to submit a global information project proposal covering relevant chiller information, including dissemination and awareness activities, which would have the objective of disseminating the experience gained in the demonstration projects globally.

#### **Draft agreement between the treasurer and the implementing agencies (decision 46/34)**

At the 45<sup>th</sup> meeting the Executive Committee had asked for further work to be carried out to formalize the financial procedures of the Treasurer and implementing agencies since these were an important part of the Fund's financial operating system. The Executive Committee endorsed the draft text of agreements between the Treasurer and the implementing agencies, which formalized the informal procedures that had been in practice for a considerable period of time.

#### **Report on the review of guidelines relating to collection, recovery, recycling and destruction of ozone depleting substances (decision 46/36)**

At its 44th meeting the Executive Committee decided to look at the need to further elaborate existing guidelines for the funding of projects for the collection, recovery, recycling and destruction of ozone-depleting substances while ensuring economically feasible and environmentally appropriate management of ozone depleting substances (decision 44/63). Following a lengthy discussion on whether or not ODS destruction was related or not to compliance and the current and future level of ODS stockpiles, the Executive Committee asked the Secretariat to prepare a paper for the 47<sup>th</sup> meeting covering terms of reference, budget and modalities for a study regarding collection, recovery, recycling, reclamation, transportation and destruction of unwanted ODS, taking into account written proposals made by Austria and Japan at the 46<sup>th</sup> meeting.

#### **Phase-out agreements: flexibility conditions (decision 46/37)**

Flexibility in the use of funds has been a key provision of the arrangements under which the Executive Committee supports sectoral or national phase-out plans in Article 5 countries. The Executive Committee decided to elaborate the conditions for the exercising of such flexibility in the use of funds by defining major and minor changes to endorsed annual implementation plans. Minor changes to an annual implementation plan could be incorporated, as implementation proceeded during the year, and reported on in the annual report on implementation of the annual implementation plan. Major changes should be deferred pending endorsement by the Executive Committee as part of the subsequent annual implementation plan.

### **Criteria for the assessment of the progress reports and verification audits of multi-year agreements (decisions 46/38 and 46/39)**

Since 1999, multi-year agreements had increasingly become the predominant vehicle for disbursement of Multilateral Fund resources. Under these agreements, the responsible implementing agencies were required to submit a verification report on the achievement of the ODS reduction targets specified in the agreements as a prerequisite for the release of the next tranche of funds. Consequently it was vitally important that the requirements for verification of performance in multi-year agreements were clear to countries and implementing agencies.

Following its deliberations, the Executive Committee adopted new procedures for verifying national ODS reduction targets in these multi-year projects. These procedures would assist in confirming that agreed reduction targets had been met so that the Executive Committee could approve further disbursements of funds to the projects in a transparent process and with full accountability.

The Executive Committee also approved a revised reporting format for the implementation of country programmes. It was agreed that National Ozone Units would start to use it in 2006 to report the 2005 country programme implementation data and that the revised format would be reviewed at the last meeting of the Executive Committee in 2007.

### **Report on the operation of the Executive Committee (decision 46/40)**

The Executive Committee reconsidered proposals for the establishment of an inter-sessional approval procedure in the event that the Executive Committee should hold fewer meetings per year however they agreed that current and foreseeable workload was too heavy to envisage reducing the number of meetings from three per year to two and that therefore there would be no advantage in creating an inter-sessional approval procedure at the present time. The matter would be re-examined at the 50<sup>th</sup> meeting.

### **Production Sector (decision 46/42)**

The Executive Committee's Sub group on the Production Sector for 2005, composed of representatives from Brazil, Canada (facilitator), Japan, Syria, Thailand, the United Kingdom, the United States of America and Zambia, reviewed the final report on the technical audit of the ODS production sector in Romania. Based on the outcome of the Subgroup's discussions in the margins of the 46<sup>th</sup> meeting, the Executive Committee requested UNIDO to take into account the findings of the audit report when preparing an investment project for Romania.

### **47<sup>th</sup> and 48<sup>th</sup> Meetings of the Executive Committee (decision 46/64)**

The 47<sup>th</sup> Meeting of the Executive Committee would be held from 21 to 25 November 2005 in Montreal. The 48<sup>th</sup> Meeting would tentatively be held the first week of April 2006.

## **Report of the 46th Meeting**

A complete record of all decisions made at the 46th meeting, including those discussed in this document, can be found in the 'Report of the Forty-sixth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/46/47 on the Multilateral Fund's web site ([www.multilateralfund.org](http://www.multilateralfund.org))). The report is available in Arabic, English, French, and Spanish.

## Annex 1 - Attendance at the 46th meeting of the Executive Committee

<b>Executive Committee Members</b>	<b>Co-opted countries</b>
<b>Non Article 5</b>	
Austria (Chair)	Sweden
Belgium	
Canada	
Czech Republic	
Japan	
United Kingdom	France, Germany, Italy
United States of America	
<b>Article 5</b>	
Brazil	Argentina, Colombia and Uruguay
Cuba	
Niger	Gabon and Guinea
Syria (Vice Chair)	Iran, Jordan and Lebanon
Thailand	China and India
The Former Yugoslav Republic of Macedonia	Republic of Moldova and Serbia & Montenegro
Zambia	Sudan and Namibia