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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-second Meeting
Montreal, 23-27 July 2007

**DRAFT REPORT OF THE EXECUTIVE COMMITTEE OF THE MULTILATERAL
FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL TO THE
NINETEENTH MEETING OF THE PARTIES***

INTRODUCTION

1. The terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro.9/12, Annex V) require the Executive Committee to report annually to the Meeting of the Parties. The present report, which covers the activities undertaken by the Executive Committee since the Eighteenth Meeting of the Parties, is submitted in fulfilment of that requirement. The report includes three annexes: Annex I containing tables with data on project approvals; Annex II containing an assessment report on implementation of the recommendations contained in the 2004 evaluation and review of the financial mechanism and Annex III showing the amounts of HCFC consumption phased in.

2. During the reporting period, the 50th Meeting of the Executive Committee was held in New Delhi from 6 to 10 November 2006, and the 51st in Montreal from 19 to 23 March 2007. The reports of those meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/50/62 and UNEP/OzL.Pro/ExCom/51/46 respectively and are available on the Multilateral Fund's website (www.multilateralfund.org).

* To be updated to include the conclusions and decisions of the 52nd Meeting.

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

3. In accordance with decision XVII/44 of the Seventeenth Meeting of the Parties, the 50th Meeting of the Executive Committee was attended by Australia (Vice-Chair), Belgium, the Czech Republic, Italy, Japan, Sweden and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Brazil, Burundi, Guinea, India, Mexico, the Syrian Arab Republic (Chair) and Zambia, representing Parties operating under paragraph 1 of Article 5, and was chaired by Mr. Khaled Klaly (Syrian Arab Republic), with Ms. Lesley Dowling (Australia) acting as Vice-Chair.

4. In accordance with decision XVIII/2 of the Eighteenth Meeting of the Parties, the 51st Meeting of the Executive Committee was attended by Belgium, Canada (Chair), the Czech Republic, Italy, Japan, Sweden and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by China, Guinea (Vice-Chair), Jordan, Mexico, Saint Lucia, Sudan and Uruguay, representing Parties operating under paragraph 1 of Article 5, and was chaired by Mr. Philippe Chemouny (Canada), with Mr. Elhadj Mamadou Nimaga (Guinea) acting as Vice-Chair. Ms. Maria Nolan, Chief Officer, acted as Secretary for all the Meetings.

A. PROCEDURAL MATTERS

Contact group to discuss a study on the treatment of ODS

5. The 50th Meeting established a contact group, with the representative of Australia as facilitator, to discuss the draft terms of reference for a study pursuant to decision 49/36 and in light of XVIII/9 of the Eighteenth Meeting of the Parties regarding collection, recovery, recycling, reclamation, transportation and destruction of unwanted ozone-depleting substances. The results of the contact group's deliberations appear in paragraph 57 below.

Contact group on funding for the phase-out of CFC consumption for MDI manufacturing and the need for transition strategies.

6. At its 51st Meeting, the Executive Committee set up a contact group, with the representative of Mexico as facilitator, to discuss funding for the phase-out of CFC consumption for MDI manufacturing and the need for transition strategies in the context of options for addressing the situation of countries referred to in decision XVII/14 of the Seventeenth Meeting of the Parties. The results of the contact group's deliberations appear in paragraph 59 below.

B. FINANCIAL MATTERS

Status of contributions and disbursements

7. As at 16 March 2007, the total income to the Multilateral Fund, including cash payments, promissory notes held, bilateral contributions, interest earned and miscellaneous income, amounted to US \$2,207,275,587, and total allocations, including provisions, amounted to US \$1,992,310,295. The balance available at 16 March 2007 therefore amounted to US \$57,516,295.

8. The yearly distribution of contributions against pledges is as follows:

YEARLY DISTRIBUTION OF CONTRIBUTIONS AGAINST PLEDGES

Year	Pledged contributions US \$	Total payments US \$	Arrears/outstanding pledges US \$
1991-1993	234,929,241	210,359,139	24,570,102
1994-1996	424,841,347	393,465,069	31,376,278
1997-1999	472,567,009	433,883,108	38,683,901
2000-2002	440,000,001	429,113,771	10,886,230
2003-2005	474,000,001	429,555,895	44,444,105
2006	133,466,667	60,965,800	72,500,866
2007*	133,466,667	13,176,427	120,290,239
Total:	2,313,270,933	1,970,519,209	342,751,721

Note: As at 16 March 2007.

Interest collected during the 2006-2008 triennium

9. As at 16 March 2007, the total level of interest recorded in the Treasurer's accounts amounted to US \$13,773,709 for the 2006-2008 triennium.

Bilateral contributions

10. During the period under review, the Executive Committee approved requests by Australia, Canada, France, Germany, Italy and Switzerland to credit bilateral assistance amounting to a total of US \$3,709,327. This brings the total for bilateral cooperation, since the inception of the Multilateral Fund Secretariat, to US \$118,172,488 (excluding cancelled and transferred projects) representing approximately 5.5 per cent of funds approved. The range of bilateral projects approved included, *inter alia*, CFC and ODS phase-out plans, technology transfer for the phase-out of methyl bromide, national CFC consumption phase-out plans focusing on the refrigeration sector, terminal phase-out managements plans for Annex A (Group I) substances, an umbrella project for terminal phase-out of ODS in the solvent sector, support for an ozone unit and for the Latin American Customs Enforcement Network.

11. The 50th Meeting, pursuant to decision 49/19(a), decided to inform the Parties that the bilateral requests of Germany and Switzerland exceeded the 20 per cent allocation of contributions for bilateral agencies for 2006 (decision 50/16). Subsequently, the 51st Meeting

decided to inform the Parties of the level of bilateral contribution assigned to Germany's contribution for 2008 (decision 50/20) as the activities proposed in Germany's 2007 and 2008 business plans exceeded its bilateral contribution. It noted that in order to accommodate Germany's activities in 2007 and 2008, India had agreed that part of the 2008 tranche for India's national phase-out plan be funded in 2009 (decision 51/6). The 51st Meeting also requested Germany to report to the 52nd Meeting on the proposed terminal phase-out management plan (TPMP) projects for Botswana and Swaziland in respect of the availability of sufficient funds in its 20 per cent allocation for the triennium (decision 51/6).

Issues pertaining to contributions

Contributions in arrears

12. As at 17 March 2007, the accumulated arrears for 1991-2007 stood at US \$292,324,307. Of this amount, US \$ 111,281,196 is associated with countries with economies in transition (CEITs), and US \$ 181,043,111 with non-CEIT countries. Outstanding contributions for 2007 amounted to US \$120,290,239.

13. The percentage of payments in relation to pledged amounts for 2007 was 9.87 per cent as at 17 March 2007. Parties were asked to inform the Treasurer when they would pay outstanding contributions and to pay contributions in full as early as possible. Although by the time of the 51st Meeting the proportion of outstanding contributions had been reduced, substantial arrears still remained.

Timely payment by contributing countries

14. At both the 50th and 51st Meetings, Members of the Executive Committee expressed concern at the late payment of pledges. The 51st Meeting, in particular, noted the lack of liquidity and of adequate resources to allow projects to be approved, especially as the 2010 deadline was fast approaching (decisions 50/1 and 51/2).

Promissory notes

15. In addressing the treasurer's concern over the low level of cash in the Fund and the implementing agencies' reluctance to accept promissory notes that were not encashable on demand, the 50th Meeting urged those countries still holding promissory notes to take the necessary action to accelerate their encashment and the 51st Meeting requested Parties continuing to use promissory notes to do their utmost to meet the Treasurer's request for their accelerated encashment in order to mitigate cash flow problems. Furthermore, in the context of the 2009-2011 replenishment, the 51st Meeting encouraged Parties to make their contributions in the form of cash in order not to delay project implementation by implementing agencies (decisions 50/1 and 51/3).

Contribution by the Government of India

16. The Government of India agreed to contribute US \$130,000 to cover the costs of hosting the Fiftieth Meeting of the Executive Committee in New Delhi, India, as opposed to holding it in Montreal.

Accounts of the Multilateral FundFinal 2005 accounts

17. The 50th Meeting considered the final accounts for 2005 and, in view of the auditor's observation on US \$82 million of receivable contributions that had been outstanding for more than five years, decided to draw the attention of the Meeting of the Parties to the need for all outstanding contributions to be paid (decision 50/43).

Reconciliation of the 2005 accounts

18. The 50th Meeting reviewed the reconciliation of the 2005 accounts and requested the submission of additional information to the 51st Meeting. It noted that the implementing agencies were unable to commit to project expenditures against promissory notes without assurance that the promissory notes were encashable upon demand. Accordingly, it requested the Treasurer to review the Executive Committee's policy on promissory notes in recognition of financial requirements to reflect the emerging business circumstances of the Multilateral Fund. The Treasurer was also requested to provide a schedule for the encashment of promissory notes as additional information on the status of contributions and disbursements (decision 50/44).

2007, 2008 and 2009 budget of the Fund Secretariat

19. The 50th Meeting approved the revised budget of the Fund Secretariat for 2007, adjusted to introduce the Secretariat's operational costs and maintain them at the same levels as in previous years. The 50th Meeting also approved the 2009 salary component of the budget, reflecting staff costs for 2009 so as to enable extension of staff contracts based on the 2008 staff salary component approved at the 48th Meeting, taking into account the standard 5 per cent inflation rate against the 2008 level. The Executive Committee also approved funding for the cost of the study on destruction of unwanted ODS mentioned in paragraphs 5 and 57 (decision 50/45).

2007 core unit costs for UNDP, UNIDO and the World Bank

20. The 50th Meeting considered a review of the 2005 actual costs and the 2006 estimated costs and the 2007 proposed costs with the purpose of agreeing on the core unit costs for 2007. It approved US \$1.751 million for core unit funding for 2007 each for UNDP and UNIDO and US \$1.58 million for the World Bank (decision 50/27).

Comprehensive independent assessment of the administrative costs required for the 2009-2011 triennium

21. The Executive Committee authorized the Secretariat to undertake a comprehensive independent assessment of the administrative costs required for the 2009-2011 triennium and to report its conclusions to the first Meeting of the Executive Committee in 2008. The 51st Meeting adopted the terms of reference for the aforementioned assessment, which required the consultant or consulting firm to consider, *inter alia*, the agencies' current administrative costs with a view to proposing any changes to the existing regimes if needed (decision 50/27 and 51/38).

Compliance Assistance Programme (CAP) budget

22. The 50th Meeting approved the CAP budget for 2007 contained in UNEP's 2007 work programme, at an amount of US \$8,003,000 plus agency support costs of 8 per cent, amounting to US \$640,240. The approval was subject to a certain number of conditions (decision 50/26).

C. BUSINESS PLANNING AND RESOURCE MANAGEMENT

2006 business plans

23. The 50th Meeting noted with concern that certain projects required for compliance, and contained in implementing agencies' 2006 business plans, had not been submitted to the Meeting. After listening to the explanations given by the implementing agencies, the Executive Committee requested the agencies to give the highest priority to submission of projects required for compliance and included in annual business plans. Bilateral and implementing agencies were also requested to submit reasons why such projects had not been submitted for inclusion in the documentation for Executive Committee Meetings (decision 50/3)

2007-2009 business plan of the Multilateral Fund

24. The 2007-2009 consolidated business plan of the Multilateral Fund, encompassing the bilateral and multilateral agencies' 2007-2009 business plans, was considered at the 51st Meeting. This Meeting also endorsed the individual 2007-2009 business plans for the implementing agencies together with the relevant performance indicators, making a number of comments and recommendations.

25. The 51st Meeting was apprised of a study on HCFC production and consumption in China, which stated that in 2005, China had become the world's largest HCFC producer and consumer. The Meeting expressed concern at the exponential growth in HCFC production and consumption. An information document was also presented to the 51st Meeting containing the results of the nine HCFC surveys implemented by UNDP in selected Article 5 countries. It identified the main challenge related to the current pattern of unconstrained growth and noted that action was clearly needed to slow this down before the 2016 freeze target.

26. A paper on priorities for the 2006-2008 triennium outlining the needs beyond those identified by the model rolling three year-phase-out plan was considered by the 50th Meeting, which requested the Secretariat to prepare an interim report to be considered at the 51st Meeting.

Accordingly, the 51st Meeting, following an in-depth discussion, agreed to regard the following areas as priorities when allocating the US \$61 million in unallocated funds to activities not required for compliance, according to the compliance-oriented model rolling three-year phase-out plan for 2007-2009:

- Additional funding initiatives outside the budget, namely:
 - Additional activities/studies currently outside the budget, on a case-by-case basis;
 - CFC solvents;
 - Activities in countries that were currently not Parties, on the understanding that funds would not be disbursed until the country had become a Party;
 - Terminal phase-out management plan (TPMP) preparation and a TPMP for Armenia;
 - Institutional strengthening, on a case-by-case basis;
 - Methyl bromide (MB) consumption in Parties that had not ratified the Copenhagen Amendment, on the understanding that funds would not be disbursed until ratification had occurred, not even for project preparation;
 - Acceleration of CFC production phase-out;-
- It was also agreed to consider the following areas as priorities, on a case-by-case basis:
 - Combating illegal trade;
 - Halon not required by the model rolling three-year phase-out plan;
 - Accelerated MB phase-out;
 - MB non-investment projects;
 - Metered-dose inhaler activities, in accordance with decision 51/34.

27. The Executive Committee further agreed to remove HCFC activities and ODS disposal from the 2007-2009 business plans for the time being on the understanding that the issues would be considered at the first meeting of the Executive Committee in 2008. It urged bilateral and implementing agencies to increase their efforts to implement approved projects to facilitate achieving the 2007 reduction in controlled substances, noting that 35,945 ODP tonnes were scheduled to be phased out in 2007 from approved projects (decision 51/5).

Model rolling three-year phase-out plan: 2007-2009

28. The 50th Meeting adopted the 2007-2009 model rolling three-year phase-out plan as a flexible guide for resource planning for the corresponding triennium and urged Article 5 countries, with approved projects not yet implemented, as well as the cooperating bilateral and implementing agencies, to accelerate the pace of implementation during the 2007-2009 triennium. Moreover, bilateral and implementing agencies were urged to work with those

countries that had been identified as needing immediate assistance to achieve the 2007 and 2010 phase-out targets in the Protocol and to include activities in their 2007-2009 business plans as appropriate (decision 50/5).

2006 and 2007 work programmes

29. The 50th Meeting considered and approved amendments to the 2006 work programmes of UNDP, UNEP and UNIDO, subject to certain conditions. Amendments to UNEP's 2007 work programme were approved at the 51st Meeting, together with the 2007 work programmes of UNDP, UNIDO and the World Bank, subject to a number of comments relating to individual projects (decisions 50/15 and 50/17 to 50/25; 51/17 and 51/21 to 51/26).

D. FUND ACHIEVEMENTS SINCE INCEPTION

Total ODS phased out

30. Since 1991, 5,279 projects and activities (excluding cancelled and transferred projects) have been approved with the following geographical distribution: 2,261 projects and activities for countries in Asia and the Pacific; 1,343 for countries in Latin America and the Caribbean, 1,115 for countries in Africa, 299 for countries in Europe and 261 global coverage. Of the 415,576 tonnes of ODS to be eliminated when all these projects are implemented, a total of 374,172 ODP tonnes of ODS had already been phased out by the end of 2006. A breakdown by production and consumption and by sector is given in table 1 of Annex I. The sectoral distribution of the actual phase-out is indicated in the table below:

Sectors	ODP tonnes phased out*
Aerosol	25,216
Foam	62,405
Fumigant (methyl bromide)	3,743
Halon: production and consumption	82,513
Projects in multiple sectors	455
Process agent (production and consumption)	37,878
National phase out plan	34,619
Production	76,275
Refrigeration	42,172
Several	554
Solvent	6,857
Sterilant	61
Tobacco expansion	1,424
Total:	374,172

*Excluding cancelled and transferred projects

Funding and disbursement

31. The total funds approved since 1991 by the Executive Committee to achieve this phase-out and to implement both ongoing investment projects and all non-investment projects and activities are US \$ 2,152,714,643 including US \$210,767,723 for agency support costs (excluding cancelled and transferred projects). Of the total project funds approved, the amounts allocated to, and disbursed by, each of the implementing agencies and bilateral agencies, are indicated in the table below:

Agency	US \$ approved (1)	US \$ disbursed (2)
UNDP	514,894,698	421,416,317
UNEP	123,582,507	96,919,427
UNIDO	473,166,390	392,888,906
World Bank	919,898,560	748,954,005
Bilateral	118,172,488	74,139,511
Total	2,152,714,643	1,734,318,166

(1) As at 18 June 2007 (excluding cancelled and transferred projects)

(2) As at 31 December 2006 (excluding cancelled and transferred projects)

E. FUNDING APPROVALS DURING THE REPORTING PERIOD

Projects and activities approved during the reporting period (50th and 51st Meetings of the Executive Committee)

32. During the reporting period, the Executive Committee approved a total of 176 additional projects and activities, with a planned phase-out of 23,647 ODP tonnes in the production and consumption of controlled substances. The total funds approved amounting to US \$104,544,693 including US \$12,077,511 for agency support costs, for project/activity implementation, are as follows by agency:

Agency	US \$	US \$ Support	US \$ Total
UNDP	11,085,369	2,591,329	13,676,698
UNEP	11,626,032	810,995	12,437,027
UNIDO	20,094,840	3,262,846	23,357,686
World Bank	46,361,695	5,002,260	51,363,955
Bilateral	3,299,246	410,081	3,709,327
Total	92,467,182	12,077,511	104,544,693

Investment projects

33. Of the total funds approved in the period under review, the Executive Committee allocated US \$83,828,490, including US \$5,925,259 for agency support costs, for the implementation of 58 investment projects which will eliminate an estimated quantity of 23,599 ODP tonnes in consumption and production of ODS. A breakdown by sector is given in table 2 of Annex I.

34. The Executive Committee also approved 13 new agreements, with commitments in principle totalling US \$12,039,961, as well as one revised agreement. Details of the amounts per country and sector can be found in table 3 of Annex I.

Non-investment activities

Technical assistance and training

35. During the period under review, 14 technical assistance and training projects amounting to US \$9,220,905, including US \$699,405 for agency support costs, were approved, bringing the cost of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total of US \$180,796,642. This amount does not include the non-investment components of the multi-year phase-out agreements (MYAs).

Institutional strengthening

36. During the reporting period, US \$4,274,221, including agency support costs of US \$143,949, was approved for institutional strengthening projects. This brings the total approvals by the Executive Committee to US \$62,496,971 for institutional strengthening projects in 140 Article 5 countries. When approving funding for institutional strengthening projects, the Executive Committee expressed certain views that were annexed to the reports of the respective Meetings.

Country programmes

37. No country programmes were submitted either to the 50th or 51st Meetings.

Verification of ongoing terminal phase-out management plans in low-volume consuming countries

38. The 50th Meeting noted that, pursuant to decision 45/54 of the Executive Committee, the Secretariat had randomly selected two countries for verification of ongoing terminal phase-out management plans for the first exercise in 2007. Funds were approved for the conduct of the audit in one country. Request for funding for the remaining country was submitted in advance of the 52nd Meeting.

Submissions that do not conform to Executive Committee requirements

39. At the 50th Meeting it was noted that incomplete submissions took up the Secretariat staff's time and meant that there was less time available for consideration of those submissions that were complete. The 50th Meeting therefore requested the Secretariat not to include in

meeting documentation proposals for projects or activities that, by the submission deadline for each Meeting, did not contain the information or components necessary for their submission to be considered as potentially approvable. The Executive Committee would be provided with a list of all proposals received but not included in meeting documentation, together with the reasons for non-inclusion. This arrangement would be implemented on a trial basis for 18 months (decision 50/14).

F. MONITORING AND EVALUATION

Project completion reports (PCRs)

40. The 50th Meeting considered the 2006 consolidated project completion report, including the schedule for submission of PCRs due and the lessons learned, and made a number of recommendations to implementing and bilateral agencies. Given the wealth of information on lessons learned drawn from project completion reports and annual reports on the implementation of multi-year agreements, the Executive Committee asked all those involved in the preparation and implementation of projects to take them into consideration, and to facilitate discussions on lessons learned during regional network meetings (decision 50/8).

Project implementation delays

41. At the two Meetings held during the period under review, the Executive Committee noted that, with regard to projects subject to implementation delays, the Secretariat would take the established action according to its assessment of status and would notify the governments and implementing agencies concerned. The 50th Meeting *inter alia* noted the transfer of components of a project at the request of the government concerned and also that one project would possibly be discontinued. Implementing agencies were requested to suggest ways of encouraging the timely implementation of projects subject to letters of possible cancellation and to emphasize the importance of projects to achieve compliance (decision 50/10).

42. Milestones and deadlines were adopted for two projects with implementation delays at the 51st Meeting. Information was also provided on the extent to which the milestones set by the Executive Committee for projects experiencing delays had been achieved (decision 51/15).

Annual tranche submission delays

43. The 50th Meeting noted that 38 of the 49 annual tranches of MYAs due for submission had been submitted on time, but that seven of them could not be considered for approval either because the submission was incomplete, a condition of approval had not been met, and/or the project document had not been signed. It decided to send letters to the relevant countries and agencies for annual tranches due for submission but not submitted to the Meeting and for annual tranches submitted but not considered for approval for the reasons indicated in the letter, encouraging the relevant Article 5 governments and implementing agencies to submit them to the 51st Meeting (decision 50/11).

44. The 51st Meeting was informed that 16 of the 38 annual tranches of MYAs due for submission had not been submitted on time and it decided to send letters to the relevant countries

and agencies with reasons given for the delay, encouraging the relevant Article 5 governments and implementing agencies to submit them to the 52nd Meeting (decision 51/15).

Issues related to monitoring and reporting on multi-year agreements

45. The 50th Meeting noted that implementing agencies had indicated difficulty with the reporting system for annual tranches of MYAs and decided to discuss innovative approaches for monitoring and reporting delays in MYAs at its subsequent Meeting (decision 50/40). At its 51st Meeting, the Executive Committee noted with satisfaction that considerable progress had been made towards achieving standardization in reporting, but that monitoring and reporting on MYAs still raised a number of problems. It adopted a new format for reporting on MYAs on an interim basis to be reviewed at the 53rd Meeting and requested the Secretariat to organize a workshop in the margins of that meeting to discuss reporting in the light of the experience gained in using the new format (decision 51/13).

Implementation of approved projects with specific reporting requirements

46. At all Meetings held during the reporting period, the Executive Committee considered progress reports on the implementation of approved projects with specific reporting requirements and made a number of relevant recommendations, which can be found in decisions 50/12 and 51/16.

Completed projects with balances

47. During the reporting period, the implementing agencies returned to the Multilateral Fund a total of US \$702,303, including US \$71,862 in agency support costs. The total funds returned from completed or cancelled projects are indicated in the table below:

Agency	Total funds returned (US \$)	Total support costs returned (US \$)
UNDP	241,445	30,460
UNEP	213,837	21,628
UNIDO	143,030	15,597
World Bank	32,129	4,177
Total	630,441	71,862

48. The 51st Meeting noted that the implementing agencies had a number of projects that had been classified as completed two years previously and that remaining balances totalled US \$22,044,752 as at March 2007. The details are shown in the table below:

Agency	No. of projects	Remaining balances (US \$)
UNDP	42	408,173
UNEP	48	868,125
UNIDO	9	1,562,328
World Bank*	15	19,166,126
Total	114	22,004,752

*Including un-reported projects.

Monitoring and evaluation work programme for 2007

49. The 50th Meeting approved the 2007 work programme for monitoring and evaluation at a budget of US \$361,000, and requested that the final country studies on cases of non-compliance be sent to the Parties concerned. It also decided that, rather than further country studies related to non-compliance, work should be initiated on standardization of annual work programmes, progress and verification reports on MYAs (decision 50/9).

Implementation of the monitoring and evaluation work programme

Final evaluation report on cases of non-compliance

50. The 50th Meeting had before it the final evaluation report on cases of non-compliance and decided to convey the report's conclusions to the thirty-eighth meeting of the Implementation Committee in mid-2007 in the course of the presentation to be made by the Multilateral Fund Secretariat and the implementing agencies.

Final report on the evaluation of CTC phase-out projects and agreements

51. In considering the final report on the evaluation of CTC phase-out projects and agreements, the 51st Meeting noted that all but eight Article 5 countries had met the 2005 target of an 85 per cent reduction in consumption. The Meeting was informed that the evaluation study found that the main risk to sustaining phase-out lay in the fact that, unlike other controlled substances produced for specific uses, CTC was also generated as a by-product and therefore would be available even after phasing-out CTC production for controlled uses. The successful achievement of the Protocol's control targets would therefore depend on controlling and eventually eliminating the demand for CTC in controlled uses. Any opportunities to sell co-produced CTC for process agent or solvent uses might bring higher returns than CTC destruction, with an ensuing risk of CTC being placed on the market without licenses. CTC at a low price could result in a risk of illegal use, and thus ongoing monitoring systems would be vital.

52. In addition to addressing some particular issues related to CTC production and consumption in China and India, the Executive Committee requested implementing agencies to

update their information materials on alternatives to CTC especially in the solvent sector. The Executive Committee also decided to take into account, in future deliberations on the funding of institutional strengthening projects, the need to maintain monitoring and verification of all CTC production and consumption beyond 2010. The final report on the evaluation of CTC phase-out projects and agreements was forwarded to the Technology and Economic Assessment Panel (TEAP) so that it could be taken into account in their further discussions on process agents (decision 51/11).

Desk study on the evaluation of management and monitoring of national phase-out plans

53. The 51st Meeting had before it the desk study on the evaluation of management and monitoring of national phase-out plans, which reconfirmed the relevance and timeliness of evaluating the management, monitoring and verification aspects of the plans. After noting the desk study, the Executive Committee made recommendations to bilateral and implementing agencies concerning the use of and reporting on the flexibility clause in multi-year agreements.

G. POLICY MATTERS

Conditional approval of annual work programmes for multi-year agreements (MYAs)

54. The 50th Meeting discussed the issue of how to determine when the conditions related to the conditional release of funds had been met and decided that, in cases where conditions had been placed on the release of approved funds, the implementing agencies concerned should coordinate and confirm with the Secretariat that the conditions for release had been met prior to disbursement (decision 50/13).

Reporting on the ODS phase-out achieved within refrigerant management plans and the phase-out achieved in those other projects for which ODS phase-out was not fully reported

55. The 50th Meeting, after hearing a report by the Secretariat on this issue, decided that ODS phase-out assigned to refrigerant management plans/refrigerant management plan updates, terminal phase-out management plans, halon banking, methyl bromide, CTC and TCA activities and projects and annual tranches of MYAs should represent the commitments made minus any phase-out already recorded. It also decided that the ODS phase-out thus recorded could be assigned on a pro-rated basis of the value of the approved activity if not otherwise agreed by the implementing agencies involved, the countries concerned, and the Secretariat (decision 50/39).

Operation of the Executive Committee

56. The 50th Meeting was presented a report on the major issues associated with reducing the number of Meetings of the Executive Committee, together with an updated assessment of the Committee's workload. It decided to continue meeting three times a year, but requested the Chair of the Executive Committee to write to the Parties, through the Ozone Secretariat, asking them to consider at their Nineteenth Meeting a request by the Executive Committee to change its terms of reference in order to grant it the flexibility to modify the number of times it meets, if necessary, and to review the issue at its 53rd Meeting in the light of the guidance given by the Parties (decision 50/41).

Draft terms of reference for a case study on the treatment of ODS

57. The Executive Secretary of the Ozone Secretariat presented to the 50th Meeting decision XVIII/9 of the Eighteenth Meeting of the Parties, which requested the Executive Committee to develop consolidated terms of reference for the case study called for under Decision XVII/17 of the Meeting of the Parties. After hearing the conclusions of the contact group (see paragraph 5 above), the 50th Meeting requested the Secretariat to develop specific terms of reference for a study on the treatment of unwanted ozone-depleting substances. It defined the two distinct objectives of the study and approved the required budget (decision 50/42). The 51st Meeting was informed that detailed terms of reference for the study had been finalized and sent to selected companies. It was expected that a contract would be awarded before the 52nd Meeting, to which an outline of the study and work plan would be submitted.

Issues with regard to the future of the Montreal Protocol as they relate to the Multilateral Fund

58. The 50th Meeting was briefed by the Executive Secretary of the Ozone Secretariat on the submissions made by Parties on the non-paper from Canada on the key challenges to be faced in protecting the ozone layer over the next decade. The Parties by decision XVIII/36 had agreed to convene a two-day open-ended dialogue on the matter immediately prior to the Twenty-seventh meeting of the Open-ended Working Group in June 2007. This Meeting also heard a report on progress in the informal discussions of the Stockholm Group on strengthening the Montreal Protocol.

Assistance for CFC phase-out in those Article 5 Parties with locally-owned MDI manufacturing facilities

59. The 51st Meeting discussed a policy paper on the question, in particular on funding the phase-out of CFC consumption by MDI-producing countries, and strategies for the transition to non-CFC MDIs in Article 5 Parties without CFC production facilities. After hearing the conclusions and recommendations of the contact group established (see paragraph 6 above), the Meeting decided that Article 5 Parties with plants manufacturing CFC should be advised of the timing on which to begin considering the need for essential use exemptions beyond the 2010 phase-out date, and that the preparation of a nomination for essential use exemptions might begin in 2007 for submission to the Parties for their consideration in 2008. The Executive Committee would need to consider further the availability of pharmaceutical-grade CFCs after 2010 in light of the new Technology and Economic Assessment Panel (TEAP) reports to the twenty-seventh meeting of the Open-ended Working Group and the Nineteenth Meeting of the Parties on campaign production of CFCs for MDIs in Article 5 and non-Article 5 Parties. The submission of requests for project preparation for the conversion of CFC-MDI production facilities might be considered on a case-by-case basis on the understanding that they must include a comprehensive justification from the country concerned for the need to receive assistance and, as a minimum, should provide certain detailed information. Requests for transition strategies to non-CFC MDIs in Article 5 Parties without MDI manufacturing facilities would also be considered on a case-by-

case basis when the need for a strategy had been fully demonstrated and documented through the submission of specific information (decision 51/34).

Progress made in reducing emissions of controlled substances from process agent uses

60. The 51st Meeting considered a draft report on progress made in reducing emissions of controlled substances from process agent uses showing that the Multilateral Fund had assisted Article 5 countries to reduce the levels of emissions to “levels agreed by the Executive Committee to be reasonably achievable in a cost-effective manner without undue abandonment of infrastructure”, pursuant to decision X/14 of the Tenth Meeting of the Parties. The report was finalized by the Fund Secretariat as mandated by decision 51/35 and, following the approval by the Chair of the Executive Committee, transmitted to the Twenty-seventh meeting of the Open-ended Working Group.

H. INFORMATION

61. The 50th Meeting was informed that the Secretariat had prepared a video highlighting the types of activities and projects that had been funded by the Multilateral Fund since its inception for the 15th anniversary of the Fund Secretariat, celebrated in July 2006. Copies of the video were distributed at the 50th Meeting and the video is available on the Multilateral Fund website.

62. The Secretariat informed the 51st Meeting that, pursuant to decision 50/4(d), the process of providing a means of entering country programme data on the Secretariat’s web site had been initiated. A prototype system and a user manual had been developed and were expected to be launched in time for the 1 May 2007 reporting deadline.

I. FUND SECRETARIAT ACTIVITIES

63. During the period under review, the Fund Secretariat had taken action pursuant to the decisions taken by the Executive Committee at its 50th and 51st Meetings. It had also prepared documentation and provided conference services for the 50th and 51st Meetings of the Executive Committee. It had received proposals for projects and activities from implementing agencies and bilateral partners for a total value, as submitted, of US \$195,298,805 and had analysed and reviewed them and provided comments and recommendations for the Executive Committee’s consideration. The requested level of funding, following project review, for approval at the two Meetings amounted to US \$130,600,101.

64. In addition to the documents customarily prepared for Executive Committee Meetings, the Secretariat had also prepared documents, *inter alia*, on the policy matters referred to in section H above, priorities for the 2006-2008 triennium, as well as the monitoring and evaluation reports outlined in Section F. At the request of the Ozone Secretariat, the Secretariat had reviewed a draft note for the discussion on the future of the Montreal Protocol, to be held at the twenty-seventh meeting of the Open-ended working Group.

65. The Chief Officer and other members of the Secretariat had attended many important meetings, including the 3rd GEF Assembly in Cape Town, the 10th joint meeting of the Ozone Officers Network for Africa in Madagascar, the Ozone Day celebrations in China, the 24th session of the UNEP Governing Council/Global Ministerial Environment Forum, the meeting of

the GEF Chemicals Technical Advisory Group (TAG), and the Eighteenth Meeting of the Parties. Missions had been undertaken to Cairo, the People's Republic of China, the Democratic People's Republic of Korea, the Netherlands, Sri Lanka, Turkmenistan and Zimbabwe.

66. At the invitation of the United States Environmental Protection Agency, the Chief Officer had taken part in a video on ozone protection activities, focusing on chiller replacement projects supported through the Multilateral Fund initiative, which had been shown at a one-day event immediately prior to the Eighteenth Meeting of the Parties in New Delhi.

J. MATTERS RELATING TO THE MEETING OF THE PARTIES

67. In response to decision XVI/36 of the Sixteenth Meeting of the Parties, requesting the Executive Committee to include a component in its annual report on the progress made and the issues encountered in its consideration of the recommendations contained in the executive summary of the 2004 evaluation and review of the financial mechanism of the Montreal Protocol, the Executive Committee has annexed hereto its progress report to the Eighteenth Meeting of the Parties (Annex II).

68. Annex III provides, by country, the amount of HCFC-141b consumption phased in through projects using HCFCs as a replacement. This is in response to decision 36/56 (e), which states, *inter alia* "That the annual Executive Committee report to the Meeting of the Parties should state by country the amount of HCFC-141b consumption phased in through projects using HCFC as replacements, a consumption which would - in application of decision 27/13 - be excluded from funding at future stages."

K. REPORTS OF THE EXECUTIVE COMMITTEE

69. The reports of the 50th and 51st Meetings (UNEP/OzL.Pro/ExCom/50/62, UNEP/OzL.Pro/ExCom/51/46 respectively) and meeting summaries have been distributed to all Parties to the Montreal Protocol. These reports are available on request from the Fund Secretariat or can be accessed at the website of the Fund Secretariat (www.multilateralfund.org)

Annex I

*Table 1: Sectoral distribution of phase-out in all approved projects and activities since inception**

SECTOR	ODP APPROVED	ODP PHASED OUT
Consumption		
Aerosol	26,342	25,216
Foam	64,211	62,405
Fumigant	5,613	3,743
Halon	49,016	42,055
Multi-sector	670	455
Other	1,380	1,424
Process agent	6,123	5,770
Refrigeration	49,357	42,172
Solvent	7,004	6,857
Sterilant	55	61
Phase-out plan	31,449	24,723
Several	739	554
Total consumption	241,959	215,435
Production		
CFC	82,033	71,985
Halon	41,658	41,658
CTC	49,156	44,534
TCA	34	34
MBR	236	26
Multiple ODS	500	500
Total production	173,617	158,737

* Excluding cancelled and transferred projects

Table 2: Sectoral distribution of approved investment projects in the period under review

Sector	ODP tonnes	US \$ approved
Aerosol	645	12,791,425
Foam	156	158,631
Halon	0	430,000
Fumigant	291	5,413,835
Process agent (consumption and production)	6,763	6,869,035
Production	10,053	35,317,560
Refrigeration	2,010	2,385,771
Phase-out plan	3,534	13,324,642
Solvent	147	7,137,651
Total	23,599	83,828,490

Table 3: Agreements approved during the reporting period

Country	Project	To be implemented by	Total phase-out ODP tonnes	Funding approved in principle (US \$)		
				Project funds	Support costs	Total
Phase-out plans						
Bahrain	Terminal phase-out management plan	UNEP/UNDP	58.7	642,500	66,338	708,838
Bolivia	Terminal phase-out management plan	UNDP/Canada	26.9	540,000	49,685	589,685
Burkina Faso	Terminal phase-out management plan	UNEP/Canada	7.4	345,000	44,850	389,850
Cameroon	Terminal phase-out management plan	UNIDO	50.6	800,000	60,000	860,000
Georgia	Terminal phase-out management plan	UNDP	8.2	325,000	24,376	349,376
Ghana	Terminal phase-out management plan	UNDP	17.5	344,894	25,868	370,762
Honduras	Phase-out of methyl bromide	UNIDO	295.8	1,806,301	135,473	1,941,774
Kyrgyzstan	Terminal phase-out management plan	UNDP/UNEP	7.0	550,000	54,065	604,065
Paraguay	Phase-out of Annex A (Group I) substances	UNDP/UNEP	31.6	565,000	53,045	618,045
Serbia*	Phase-out of Annex A (Group I) substances	UNIDO/Sweden	327.0	2,742,544	208,992	2,951,536
Seychelles	Terminal phase-out management plan	France	1.4	193,000	25,090	218,090
Uruguay	Phase-out of Annex A (Group I) substances	UNDP/Canada	29.9	565,000	55,135	620,135
Viet Nam	Phase-out of methyl bromide	IBRD	85.2	1,098,284	82,371	1,180,655
Zimbabwe	Phase-out of Annex A (Group I) substances	Germany	65.0	565,000	72,150	637,150

*

Revised agreement

Annex II

ASSESSMENT REPORT ON THE RECOMMENDATIONS IN THE 2004 EVALUATION AND REVIEW OF THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL

A. INTRODUCTION

1. This report is submitted by the Executive Committee pursuant to the following decision of the Meeting of the Parties:

- (a) *“To request the Executive Committee of the Multilateral Fund, within its mandate, to consider the report on the 2004 evaluation and review of the financial mechanism of the Montreal Protocol, with a view to adopting its recommendations, whenever possible, in the process of continuous improvement of the management of the Multilateral Fund, and having in mind the need to contribute to the assessment of the Technology and Economic Assessment Panel of the 2006-2008 replenishment of the Multilateral Fund;*
- (b) *To request the Executive Committee regularly to report back to and seek guidance from the Parties on the subject. To this effect, the Executive Committee shall submit a preliminary assessment to the Open-ended Working Group at its twenty-fifth meeting and include a component in its annual report to the Meeting of the Parties, on progress made and issues encountered in its consideration of the recommended actions contained in the executive summary of the evaluation report.”*

DECISION XVI/36

2. A first report on the recommendations from the 2004 evaluation and review of the financial mechanism of the Montreal Protocol was prepared by the Secretariat for consideration by the Executive Committee at the 45th Meeting, as a follow-up to decision 44/60 (document Unep/Ozl.Pro/ExCcom/45/51). The report was noted and the Executive Committee decided to “forward its assessment report on the recommendations in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol for consideration at the 25th Meeting of the Open-ended Working Group” (decision 45/59).

3. The assessment report (document UNEP/OzL.Pro.WG.1/25/INF/3), based on the deliberation at the 45th Meeting, grouped the 28 recommendations contained in the 2004 Evaluation and Review of the Financial Mechanism of the Montreal Protocol into 3 categories, as follows.

Category I:

“11 general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer and do not need any new action, but instead require regular follow-up at meetings of the Committee. The Executive Committee will report back to the Meeting of the Parties on these recommendations, as appropriate, in the context of its Annual Report”. These include: recommendations 2, 6, 7, 15, 16, 18, 21, 22, 24, 25 and 28.

Category II:

“Ten general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer but may require new actions in the short term. The Executive Committee will report back to the Meeting of the Parties on these recommendations, as appropriate, in the context of its Annual Report”. These include recommendations: 1, 3, 4, 9, 11, 12, 17, 20, 23 and 26.

Category III:

“Seven general recommendations were considered not necessary to be implemented. Six because future action would be redundant in the light of recent developments or existing practices. One because of the potential negative incentive. The Executive Committee considers that there is no need for further reporting on these recommendations”. These include recommendations 5, 8, 10, 13, 14, 19 and 27.

4. The following report therefore covers the recommendations falling under the first two categories where further work needed to be done and new information was available.

B. RECOMMENDATIONS UNDER THE FIRST CATEGORY

GENERAL RECOMMENDATION 2: Continue to evaluate Executive Committee structure and consider reduction of annual meeting numbers.

5. The 50th Meeting considered a report on the operation of the Executive Committee and decided to continue to meet three times a year. The Meeting requested the Chair of the Executive Committee to write to the Parties, through the Ozone Secretariat to ask that consideration be given at the Nineteenth Meeting of the Parties to the request of the Executive Committee to change the terms of reference of the Executive Committee to grant it the flexibility to modify the number of times it meets if necessary. The Executive Committee would revisit the issue at the 53rd Executive Committee Meeting in the light of the guidance given by the 19th Meeting of the Parties.

(Decision 50/41)

GENERAL RECOMMENDATION 15: Increase efforts to improve country-level data reporting.

6. The 50th Meeting urged the Secretariat to provide a means of entering country programme data on its website, together with an explanatory manual on how to complete the new country programme data format to improve consistency in reporting. These were implemented in time for the submission to be made by 1 May 2007.

(Decision 50/4)

GENERAL RECOMMENDATION 16: Continue efforts to reduce/avoid project implementation delays.

7. The 51st Meeting decided that letters of project cancellation sent to countries would also emphasize the importance of the project and make suggestions for more positive ways to achieve compliance. The Fund Secretariat also included in its report to the 52nd Meeting on projects with implementation delays, information on the procedures that were in place and the studies that had been undertaken in the past with respect to addressing projects with implementation delays. Additional information can be found in paragraphs 41 to 43. The Fund Secretariat also continues to report to the Executive Committee since the 48th Meeting, delays in the submission of annual tranches of multi-year agreements for the Committee's consideration.

(Decision 50/10)

GENERAL RECOMMENDATION 24: Take action to encourage timely payment by the donor countries.

8. At both the 50th and 51st Meetings, the Committee expressed concern at the late payment of pledges. Additional information can be found in paragraphs 12 to 14 of this report.

(Decisions 50/1 and 51/2)

C. RECOMMENDATIONS UNDER THE SECOND CATEGORY

GENERAL RECOMMENDATION 1: Make further structural changes to the Executive Committee, if necessary to specifically address compliance.

9. As indicated under recommendation 2 above, the Executive Committee will revisit the issue at the 53rd Meeting in the light of the guidance given by the Nineteenth Meeting of the Parties.

Annex III**AMOUNTS OF HCFCs¹ CONSUMPTION PHASED-IN (ODP TONNES)**

Country	CFC phased out in projects using HCFC technologies	HCFC phased in
Algeria	54.1	5.4
Argentina	743.1	73.6
Bahrain	15.3	1.5
Bolivia	11.0	1.1
Bosnia and Herzegovina	29.1	2.9
Brazil	4,830.8	476.1
Chile	236.6	20.2
China	10,082.9	776.0
Colombia	644.9	63.9
Costa Rica	33.1	3.3
Cuba	0.8	0.1
Dominican Republic	135.3	13.4
Egypt	484.4	37.4
El Salvador	18.3	1.8
Guatemala	45.4	4.5
India	4,500.5	433.3
Indonesia	2,463.4	238.0
Iran (Islamic Republic of)	1,045.5	103.6
Jordan	330.3	32.7
Kenya	22.8	2.3
Lebanon	81.0	8.0
Libya	61.5	6.1
The former Yugoslav Republic of Macedonia	75.1	7.4
Malaysia	1,226.5	118.5
Mauritius	4.2	0.4
Mexico	2,106.3	193.6
Morocco	118.0	11.7
Nicaragua	8.0	0.8
Nigeria	383.2	38.0
Pakistan	781.1	77.4
Panama	14.4	1.4
Paraguay	66.5	6.6
Peru	146.9	14.6
Philippines (the)	518.9	51.4
Romania	192.0	19.0
Serbia	44.2	4.4
Sri Lanka	7.2	0.7
Sudan (the)	4.4	0.4
Syrian Arab Republic (the)	628.4	62.3
Thailand	2,022.6	199.4
Tunisia	234.9	20.3
Turkey	372.2	36.9
Uruguay	98.1	9.7
Venezuela	699.1	69.3
Viet Nam	44.4	4.4
Yemen	9.7	1.0
Zimbabwe	11.3	1.1
Grand total	35,687.7	3,255.8

Note 1: ODP values as follows: HCFC-123: 0.02
HCFC-22: 0.055
HCFC-141b: 0.11