



**MULTILATERAL FUND
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL**

**Post Meeting Summary of Decisions of the 54th Meeting of the Executive Committee of
the Multilateral Fund for the Implementation of the Montreal Protocol**

Introduction

The 54th Meeting of the Executive Committee, which took place in Montreal from 7 to 11 April 2008, was attended by the representatives of the 14 Executive Committee member Parties and by participants co-opted from 25 other countries (see attached list). Mr. Albert Rombonot of Gabon presided over his first meeting as Chair of the Executive Committee. The President of the Implementation Committee under the Non-compliance procedure of the Montreal Protocol, representatives of the Ozone Secretariat, the implementing agencies and the Global Environment Facility (GEF) as well as the Co-Chair of the Technology, Economic Assessment Panel, (TEAP) and representatives of the Alliance for Responsible Atmospheric Policy and the Environmental Investigation Agency (EIA), also attended the meeting.

The Executive Committee considered its standard programme of work for the first meeting of the year which included the business plans, evaluation reports and the implementing agencies' work programmes. In particular, the Committee considered important issues related to the accelerated phase-out of hydrochlorofluorocarbons (HCFCs) including the question of whether HCFC projects would remain in the 2008 business plans, guidelines for HCFC phase-out management plans (HPMPs) and the complex issue of calculating the costs of HCFC projects. Other issues included the draft study on the treatment of unwanted ozone depleting substances (ODS) and an update on the study on administrative costs of implementing agencies beyond 2008.

At the 54th Meeting, the Executive Committee approved investment projects and work programme activities with a value of just over US \$33 million, plus US \$2.7 million in support costs for implementing agencies, and took a total of 46 decisions. The most significant decisions and discussions are outlined below.

Status of contributions and disbursements (decision 54/2)

The Executive Committee reviewed information on the Fund's balance, income and contributions, and aggregate information on the status for the triennium, including data on

gains and losses from the fixed-exchange rate mechanism (FERM). It also addressed issues relating to the timely payment of contributions by Parties and the liquidity of resources. The Committee was concerned at the number of Parties whose contributions remained in arrears bearing in mind the 2010 phase-out targets of the Montreal Protocol. In order to bring the matter to the attention of the Parties to the Montreal Protocol, the Executive Committee decided that its report to the 20th Meeting of the Parties in November 2008 should emphasize the Committee's concerns in relation to these arrears.

Availability of resources (decision 54/3)

During the first part of the meeting, the Executive Committee considered the financial resources available for funding projects and activities. At the time of the 54th Meeting, US \$86,439,073 were available for approvals.

Status on implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol (decision 54/4)

The Executive Committee considered the latest report on the status/prospects of Article 5 countries in achieving compliance with Montreal Protocol control measures which also contained the first assessment of the risk of non-compliance. The risk assessment reported that 42 countries had expressed confidence that they would comply with Montreal Protocol control measures. The report also showed that all but 4,718 ODP tonnes of ODS excluding HCFCs had been addressed by the Executive Committee, and that HCFC consumption had increased by 30 per cent while CFC consumption had decreased by 20 per cent in comparison with 2006 levels. In view of the accelerated phase-out of HCFCs, the Committee requested that price data on all ODS, including HCFCs and their alternatives, be included in the country programme data reports. It also requested the Fund Secretariat to continue its efforts to obtain feedback from Article 5 countries on the risk assessment, the general indicators of possible risk of non-compliance therein, and their ability to achieve compliance.

Information on project implementation delays is now included in the status document and after review, the Committee decided that letters of possible cancellation should be sent to one country concerning delays in two foam projects. Milestones and deadlines were set for two projects, and another two projects were cancelled by mutual agreement of the agency and government concerned.

2008-2010 Business Plans (decisions 54/5 - 54/10)

The Executive Committee endorsed the 2008-2010 business plans for its four implementing agencies (UNDP, UNEP, UNIDO and the World Bank) and urged bilateral and implementing agencies to continue their efforts to implement approved projects to ensure the expected phase-out of 28,201 ODP tonnes in 2008 from approved projects.

HCFCs and compliance (decision 54/5 (b))

The Executive Committee considered the fact that the Multilateral Fund's resource planning mechanism, the compliance-oriented model, did not take into account the accelerated phase-out schedule for HCFCs and thus in terms of the model, HCFCs were classified as "not required for compliance". The Committee therefore requested the inclusion of an HCFC analysis in future versions of the compliance-oriented model/three-year phase-out plan so that the analysis would take into account all ozone depleting substances to be addressed.

The Committee decided to remove from the business plans HCFC demonstration and investment activities and associated project preparation, and costs related to technical assistance for start-up, and to reconsider including such activities in the business plans at its 56th Meeting in light of the decision regarding HCFC phase-out management plans guidelines (decision 54/39).

ODS disposal activities (decisions 54/5(c) and 54/10)

The Executive Committee removed ODS disposal activities from the business plans but maintained project preparation for the ODS destruction demonstration project in Japan's bilateral plan and the study on ODS disposal in the business plan of the World Bank which would include a methodology for the validation and verification of ODS disposal. The Committee endorsed the development of the terms of reference for the study on developing a strategy to obtain funding through voluntary carbon markets for the destruction of unwanted ODS. The World Bank would consult with Members of the Executive Committee and the implementing agencies on the development of the terms of reference to be submitted for consideration at the 55th Meeting of the Executive Committee. The study would be finalized for the 56th Meeting.

Metered-dose inhaler (MDI) activities (decision 54/5(d))

At its 51st Meeting the Executive Committee decided to consider the approval of MDI activities on a case by case basis (decision 51/5), provided that information demonstrating the need for the project had been submitted. At its 54th Meeting the Executive Committee provided further clarifications and guidelines for MDI projects and on the information to be submitted in respect of decision 51/34. Countries should submit the information required by decision 51/34 and the additional supporting data contained in decision 54/5 (d) (iii-vi), no later than the 55th Meeting, and the actual requests for MDI investment projects no later than the 56th Meeting.

Programme Implementation

Monitoring and Evaluation

Final report on the evaluation of management, monitoring and verification of National phase-out plans (NPPs) in non low-volume-consuming (LVC) countries (decision 54/11)

The Executive Committee considered the final report on the evaluation of management, monitoring and verification of national phase-out plans in non-low volume consuming (non-LVC) countries. After consideration of the report and its recommendations the Executive Committee decided to encourage non-LVC Article 5 countries implementing phase-out plans to consider a number of recommendations contained in the report. It also requested UNEP to disseminate to all interested Article 5 countries the on-line interactive customs training module and the manual for customs officers developed in Argentina. The Committee further requested implementing agencies to carefully complete the new multi year agreement (MYA) overview tables, to improve the content and clarity of annual implementation reports (AIPs), and to ensure that all verification guidelines were followed.

Desk study on the evaluation of institutional strengthening projects

The Executive Committee noted the desk study on the evaluation of institutional strengthening projects and the proposed evaluation issues and work plan for the second phase of the evaluation.

Annual tranche submission delays (decision 54/12)

The Executive Committee reviewed all annual tranches of MYAs due for submission to the 54th Meeting noting that 27 of the 53 annual tranches had not been submitted on time. Letters regarding tranches not submitted to the 54th Meeting would be sent to 14 countries encouraging them to submit these to the 55th Meeting.

Report on implementation of approved projects with specific reporting requirements (decision 54/13)

At its 54th Meeting the Executive Committee noted progress reports on the implementation of the 2007 work programme for the national CFC phase-out plan of Afghanistan and the terminal phase-out management plan (TPMP) in Fiji. The Executive Committee took note of the reports submitted by Afghanistan and Fiji, approved the annual implementation programme for 2008 for the Afghanistan phase-out plan, and requested UNIDO to submit a progress report on the status of implementation of the plan for terminal phase-out of CTC in the Democratic People's Republic of Korea to its 55th Meeting.

Project approvals (decisions 54/14 to 54/37)

The Secretariat had received funding requests with a total value of some US \$64.2 million. 75 projects and activities for 45 developing countries were approved at a cost of just over

US \$33 million plus US \$2.7 million in support costs for implementing agencies. These projects and activities would fund the phase-out of over 3,076 ODP tonnes of ODS consumption and 18,574 ODP tonnes of production.

These approvals included advance funding of just over US \$1 million for the preparation of HPMPs to enable the implementing agencies to start work immediately. The advance funds represented 10 per cent of the total requests for project preparation for HPMPs submitted by UNDP, UNEP and UNIDO to the 54th Meeting and would be deducted from any amounts to be approved for future HPMP preparation requests by these agencies (decisions 54/18, 54/23, 54/28).¹

Other projects approved by the Executive Committee included institutional strengthening projects in 12 countries, several tranches for multi-year agreements for the phase-out of CFCs mostly in the refrigeration sector, tranches for sectoral ODS production phase-out in China and India, MDI activities in Colombia, Moldova and Pakistan and methyl bromide activities in four countries and two regions. In the production sector the Executive Committee approved in principle \$3.17 million excluding support costs, for the accelerated CFC production closure in India by 1 August 2008, 17 months ahead of the existing phase-out schedule (decision 54/37).

A total of US \$2,859,000 in funding, plus agency support costs of US \$311,885, was agreed in principle for TPMPs in 9 countries (Cape Verde, Republic of Congo, Cote d'Ivoire, Eritrea, Lao People's Democratic Republic, Niger, Sao Tome and Principe, United Republic of Tanzania and Togo) and US \$9,222,379 plus agency support costs of US \$897,291, was approved in principle for a national plan to phase-out methyl bromide in Mexico by 2012 (decision 54/31).

Penalty clause in phase-out agreements (decisions 54/34 and 54/35)

The Executive Committee considered the penalty clause in a TPMP agreement in the case of an LVC country that, due to a delay in the introduction of its ODS licensing system, had levels of CFC consumption above the allowable levels under the Agreement between the Government and the Committee. In cases such as this one the Executive Committee decided to apply the penalty in the Agreement calculated as 10 per cent of the amount of the tranche being submitted to the Executive Committee for approval in instances of non-compliance with the Agreement between the Executive Committee and the Government concerned, on the basis of the following three criteria: the country concerned was a LVC country; it was the first time that the country had been in non-compliance; and, the country had returned to compliance without additional assistance from the Multilateral Fund (decision 54/34).

The Executive Committee also considered the case of a non-LVC country that was not in compliance with the CFC consumption indicated in its agreement with the Executive

¹ See also: Guidelines for HCFC phase-out management plans (HPMPs) (decision 54/39)

Committee and considered a proposal submitted by its Government to return the country to compliance with the agreement. The Executive Committee calculated a penalty on an individual basis and set out a number of conditions in respect of the CFC consumption sector agreement (decision 54/35).

Country programmes (decision 54/38)

The Executive Committee approved the country programme of Eritrea and the country programme update of Nigeria. The country programme of Eritrea was approved without prejudice to the operation of the Montreal Protocol's mechanism for addressing non-compliance.

Guidelines for HCFC phase-out management plans (HPMPs) (decision 54/39)

Within seven months of the historic decision of the Parties to accelerate the phase-out of HCFCs, the Executive Committee approved guidelines for the preparation of HPMPs and released funding to the implementing agencies to begin HPMP preparations. The guidelines approved had been proposed by the Fund Secretariat within one meeting, following the Executive Committee's request at its 53rd Meeting to prepare them.

The guidelines set out a staged approach that allows the guidelines to be updated as new technologies are developed. Stage one of a country's HPMP would address meeting the baseline freeze for HCFCs in 2013 and the 10 per cent reduction in 2015. The Committee requested that countries employ the guidelines to develop stage one of their HPMPs as soon as possible, depending on the availability of resources.

For countries with HCFC consumption in the refrigeration servicing sector the elaboration of stage one of the HPMP and subsequent stages would be developed consistent with existing guidelines for the preparation of RMPs/RMP updates (decisions 31/48 and 35/57) and, if applicable, with the preparation of TPMPs (45/54). For countries with manufacturing sectors using HCFCs, HPMPs would contain a national performance-based phase-out plan (NPP) with one or several substance or sector-based phase-out plans consistent with decision 38/65. These plans would address reductions in consumption sufficient to achieve the 2013 and 2015 HCFC control measures and provide starting points for aggregate reductions, together with annual reduction targets.

The guidelines also provide for countries that choose to implement investment projects in advance of completion of the HPMP. Given the importance of regulations, legislation and a licensing system covering HCFCs, the HPMP preparation funding should cover assistance to include HCFC control measures in legislation, regulations and licensing systems, and confirmation that this has been done would be a prerequisite for funding implementation of the HPMP. Countries and implementing agencies were encouraged not only to take account of the ozone depleting potential of HCFCs but also the global warming implications of alternative substances and technologies and exploit any potential financial incentives and opportunities for additional resources.

Cost considerations surrounding the financing of HCFC phase-out (decision 54/40)

The Executive Committee considered a preliminary analysis of all relevant cost considerations concerning the financing of HCFC phase-out, including substitute technologies, financial incentives and other environmental benefits and held extensive discussions on cost considerations of HCFC phase-out based. The Committee agreed that the contact group established to consider the guidelines for the preparation of HPMPs should also address the relevant cost considerations surrounding the financing of HCFC phase-out. After hearing a statement from the facilitator of the contact group, the Committee decided to consider, at its 55th Meeting in July 2008, a revised version of the HCFC cost consideration document which would taken into account any comments that Members had submitted to the Fund Secretariat by the end of April 2008.

Reconciliation of the 2006 accounts (decision 54/41)

At the 53rd Meeting, in view of a discrepancy of US \$105,494 recorded in UNEP's financial statement but not in its progress report, the Committee requested UNEP to review the data in the Inventory of Approved Projects versus progress reports and to make corrections accordingly (decision 53/42(c) and (d)). UNEP had been unable to provide an explanation for that discrepancy to the present Meeting because of the resignation of the officer responsible in Paris and the recent security unrest in Nairobi, and would provide an explanation of the discrepancy at the 55th Meeting.

The Executive Committee also recommended that the consultants for the administrative cost study take into consideration the document on the 2006 reconciliation of accounts (document UNEP/OzL.Pro/ExCom/54/55) which includes feedback received from the implementing agencies on their accounting systems for Multilateral Fund activities. The Committee noted that: there is no standard methodology for reporting on programme costs in the financial statements of the implementing agencies. UNEP, UNDP and the World Bank had separate trust funds for their Montreal Protocol activities and UNDP and the World Bank had separate accounts for core unit costs and for agency fees.

Assessment of the administrative costs required for the 2009-2011 triennium (decision 54/42)

The study on administrative costs, the core unit costs and fees for agencies, being prepared by PricewaterhouseCoopers was in the data collection phase and agencies were being contacted to provide quantitative data for the study. The Executive Committee requested the implementing agencies to provide adequate information to ensure that the assessment of the administrative costs, which was required for the 2009-2011 triennium, would be as exhaustive and beneficial as possible. The draft report of the study would be submitted to the Executive Committee for consideration at its 55th Meeting.

Report on the operation of the Executive Committee (Decision 54/43)

Due to the expected high workload in the lead-up to the new HCFC phase-out schedule, the Executive Committee agreed that it was not a good time to reduce the frequency of meetings and thus decided to maintain the status quo of holding three meetings per year. The issue would be reviewed again at the 57th Meeting in early 2009.

Secretariat staff structure (decision 54/44)

The Executive Committee approved a revised staffing structure for the Secretariat and associated budget. This would enable the Secretariat to continue to provide the Committee with the usual high level of support, and to address the new area of activities and policies related to HCFCs.

Study on the collection and treatment of unwanted ozone-depleting substances (ODS) in Article 5 and non-Article 5 countries (decision 54/45)

The objective of the draft study on the collection and treatment of unwanted ODS in Article 5 and non-Article 5 countries prepared by ICF International, was to assess the management programmes and procedures in place, identify lessons to be learned from the situation in non-Article 5 countries, and set out the challenges to be faced by Article 5 countries. ICF International had visited ten countries in the course of the study: eight non-Article 5 countries and two Article 5 countries. After consideration of the study, and in accordance with decision XVIII/9 of the Parties to the Montreal Protocol, the Executive Committee requested the Secretariat to forward the final study, which would take into account any comments of a technical nature that Members had submitted to the Fund Secretariat by the end of April 2008, to the Ozone Secretariat for consideration by the Open ended Working Group at its Twenty-eighth meeting.

55th and 56th Meetings of the Executive Committee (decision 54/46)

It was confirmed that the Executive Committee's 55th and 56th Meetings would be held in Bangkok from 14 to 18 July 2008 and in Doha, Qatar from 8 to 12 November 2008, respectively.

Report of the 54th Meeting

A complete record of all decisions made at the 54th Meeting, including those covered in this document, can be found in the 'Report of the Fifty-fourth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/54/59) on the Multilateral Fund's website (www.multilateralfund.org). The report is available in Arabic, Chinese, English, French, and Spanish.

Annex I - Attendance at the 54th Meeting of the Executive Committee

Executive Committee Members	Co-opted countries
Non Article 5	
Australia	Canada
Belgium	Netherlands
Germany	France, Italy and the United Kingdom
Japan	
Romania	
Sweden (Vice Chair)	Austria, Finland and Norway
United States of America	
Article 5	
China	Indonesia and Malaysia
Dominican Republic	Cuba, Mexico and Venezuela
Gabon (Chair)	Mali and Morocco
India	Jordan and Nepal
Lebanon	Kuwait, Qatar and Yemen
Sudan	Namibia and Sierra Leone
Uruguay	Argentina, Brazil and Colombia