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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
Bangkok, 14-18 July 2008

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

PROJECTS AND ACTIVITIES PRESENTED TO THE 55TH MEETING OF THE EXECUTIVE COMMITTEE

Introduction

1. This document has two sections. Section I provides the statistics on the submissions to the 55th Meeting received from implementing and bilateral agencies. It also contains an assessment of the fund balance available against the demand for funds from the submissions, and proposed solutions for managing the cash flow in case of a short fall. Section II presents one policy issue identified by the Secretariat from the review of the submissions to the meeting.

Section I: Submissions by bilateral and implementing agencies

2. The Secretariat received, for consideration at the 55th Meeting multi-year agreements, projects and activities amounting to US \$94,295,231. This amount includes the total value of new multi-year agreements proposed for approval in principle.

3. The total figure covers 236 funding requests, which include specific annual tranches and other projects/activities amounting to US \$92,898,306 (including agency support costs where applicable). Following review by the Secretariat, the number of projects and programmes which are being forwarded to the Executive Committee for consideration is 200 or 85 per cent of the total number of the funding requests that had been received, with a value of US \$87,060,701 or 94 per cent of the total value of the requests. This includes the requests for HPMP preparation funding where the cost issues are still outstanding.

4. The list of projects recommended by the Secretariat for blanket approval contains 33 activities with a total value of US \$20,126,505. These represent 14 per cent of the total number of funding requests received and 22 per cent of the value of the requested funding level. A list of these projects is contained in Annex I.

5. A total of 167 projects and activities, which include activities under work programmes and work programme amendments as well as investment projects, are recommended by the Secretariat for individual consideration for a number of reasons. These range from the scope of verification of production phase-out of an ODS with dual uses, the approval of further funding, and to projects with low fund disbursement from previous tranches. In terms of percentage, these projects are 71 per cent of the total number of funding requests and 72 per cent of the value of the requested funding level. The list of investment projects for individual consideration is contained in Annex II. Thirty-six projects/activities have been withdrawn by the agencies submitting them.

6. In compliance with decision 52/3 (c), which requests the Secretariat to list projects not required for compliance separately as per the compliance-oriented model in its submissions to the meetings, the Secretariat has included these projects in Annex III that contains mostly projects in the MDI sector. There are two incomplete submissions, as per the definition in decision 50/14, which have been withdrawn by the submitting agencies and the information related to these two projects is contained in the document on the 2008 Business Plans and Annual Tranches Delays (UNEP/OzL.Pro/ExCom/55/5).

Status of the Fund

7. At the time of writing this paper, the fund balance of the Multilateral Fund stood at US \$106,128,515 which breaks down into US \$66,783,868 in cash and US \$39,344,647 in promissory notes. In addition, another US \$2,437,315 is being returned to the 55th Meeting in the context of the report on balances and availability of resources, which brings the total cash availability to approximately US \$70 million. Measured against the total demand for cash funds, which would be approximately US \$87 million assuming that the projects on the list for blanket approval and for individual consideration be approved at the funding level proposed, there could be a shortfall of approximately US\$ 17 million.

8. Clearly this is not a budgetary problem but a cash flow problem. However, the cash balance may also change if additional contributions are received in cash between now and the time of the 55th Meeting. At the same time, the demand for project funds may also decrease as a result of review and approvals by the Executive Committee at the meeting.

Section II: Policy issues identified during project reviewCosting of the preparation of HCFC phase-out management plans (HPMP)*An overview of the submissions*

9. The Secretariat received a total of 144 requests for the preparation of HCFC phase-out management plans (HPMP) from both multilateral and bilateral agencies for 105 countries, including China. Of these, 30 countries are covered by more than one agency. A breakdown of the requests by agency is as follows:

Agency	Number of requests	Amount requested (in US \$)
UNDP	33	8,905,000
UNEP	49	8,458,500
UNIDO	43	11,645,510
World Bank	6	1,090,000
GTZ	7	979,587
Total value of requests (excluding China)		31,078,597
Total value of requests (including China)		35,611,592

10. The level of funding requested ranges from US \$75,000 to over US \$1 million. China is treated as a category in itself because of the size of its HCFC consumption. Detailed information concerning the requests is contained in the documents on the work programme amendments of the implementing agencies (UNEP/OzL.Pro/ExCom/55/19-22).

Approach adopted by the Secretariat in reviewing the requests

11. In order to achieve equity across countries and agencies, the Secretariat tried to develop uniform criteria in reviewing the submissions and in so doing adopted the following criteria:

- Use of level of HCFC consumption as a proxy for estimating the cost of preparing HPMPs. As shown in the experience of CFC phase-out, the level of ODS consumption is a fairly good indicator of the amount and complexity of the effort needed to phase out the relevant ODS in a country.
- Use of historical cost data as a reference for similar activities in estimating the cost of HPMP preparation. The preparation of HPMPs is many ways similar to the preparation of the country programmes, national/sector phase out plans, and TPMPs.
- Break down of the funding requests into components and cost them. This will facilitate the assessment of the cost of specific activities involved in the process and identify any items which are more specific to the preparation of HPMPs as compared to similar activities in the past.
- Group countries according to consumption profiles: countries with zero HCFC consumption; countries with HCFC-22 consumption only, or with only servicing need; countries with HCFC use in both servicing and manufacturing. Past experience shows that consumption profiles are related to national phase-out effort and similarity in phase-out programmes.
- Proceed from cost estimates of simple and straight-forward consumption patterns, such as countries with zero consumption and build up a cost structure of the more complex consumption patterns like countries with both servicing and manufacturing sectors.

12. The full details of the Secretariat's analysis are contained in Annex IV to this document.

Consultation with the implementing agencies

13. The Secretariat sent details to the submitting agencies of the approach described above and the resulting proposed level of funding. A discussion was convened by teleconference with all the submitting agencies. Different opinions were voiced and they are summarized as follows:

- Level of HCFC consumption may not be a good indicator of level and complexity of phase-out effort because many countries have not submitted, or have under-reported their HCFC consumption data.
- Using past cost data for the preparation of country programmes, national/sector phase-out plans and TPMPs fails to appreciate the challenges faced by countries in phasing out HCFCs.

Issues for the consideration of the Executive Committee

14. The Executive Committee may wish to consider the following issues related to the costing of HPMP preparation:

- Is the historical cost data for similar activities a good point of reference in setting up the cost of preparing HPMPs?
- According to the implementing agencies, they do not have at this point in time information about the specific investment activities that will be required to assist countries to achieve the HCFC freeze and 10% reduction in 2015; however, they wish to move ahead in order not to lose time. The issue is on what basis the Secretariat/Executive Committee would assess their requests for the cost of preparing investment activities or sector phase-out plans.
- If the responsibility of preparing the HPMP, those activities relating to the survey, the drafting of facilitating policy/legislation, developing the overall strategy and getting the national consensus, falls within the responsibility of the lead agency in those cases where more than one agency would be involved, how should the funding level differentiate for a lead agency compared to an co-operating agency. What should be the division of work and the co-ordination between the lead agency and the co-operating agency. There should not be duplicate funding of the same activities.
- How should the funding of HPMPs reflect that already paid for in the preparation of the HCFC surveys for the 13 countries concerned.

15. The Secretariat recommends that the Executive Committee may wish to consider these issues first and then review the cost of preparing HPMPs using the cost bench marks proposed by the Secretariat as the basis.

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/55/17
Annex I

Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			CE (US\$/kg)
			Project	Support	Total	
BENIN						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	UNEP		\$85,000	\$11,050	\$96,050	
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	UNIDO	3.9	\$106,000	\$9,540	\$115,540	
	Total for Benin	3.9	\$191,000	\$20,590	\$211,590	
BURUNDI						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	UNIDO		\$76,000	\$6,840	\$82,840	
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	UNEP		\$74,000	\$9,620	\$83,620	
	Total for Burundi		\$150,000	\$16,460	\$166,460	
CHINA						
FUMIGANT						
Methyl bromide						
National phase-out of methyl bromide (phase II, third tranche)	UNIDO	180.6	\$1,800,000	\$135,000	\$1,935,000	
PROCESS AGENT						
Sectoral phase out plan						
Sector plan for phase-out of ODS process agent applications (phase II) and corresponding CTC production: 2008 annual programme <i>Took note of the verification of the CTC consumption of Phase II of the CTC sector plan in 2007.</i>	IBRD		\$10,000,000	\$750,000	\$10,750,000	
	Total for China	180.6	\$11,800,000	\$885,000	\$12,685,000	

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UNEP/OzL.Pro/ExCom/55/17
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Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			CE (US\$/kg)
			Project	Support	Total	
COLOMBIA						
FUMIGANT						
Methyl bromide						
Technical assistance in the methyl bromide section (fumigants)	UNIDO		\$40,000	\$3,600	\$43,600	
<i>Approved as the final funding for methyl bromide phase-out in the country.</i>						
Total for Colombia			\$40,000	\$3,600	\$43,600	
COSTA RICA						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan for Annex A Group I substances (second tranche)	UNDP		\$200,000	\$15,000	\$215,000	
Total for Costa Rica			\$200,000	\$15,000	\$215,000	
GRENADA						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (second tranche)	UNEP		\$48,000	\$6,240	\$54,240	
Terminal phase-out management plan (second tranche)	UNDP		\$50,000	\$4,500	\$54,500	
Total for Grenada			\$98,000	\$10,740	\$108,740	
GUINEA						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche)	UNEP		\$74,000	\$9,620	\$83,620	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan (first tranche)	UNIDO	1.4	\$140,000	\$12,600	\$152,600	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Guinea		1.4	\$214,000	\$22,220	\$236,220	
HONDURAS						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche)	UNIDO		\$301,000	\$22,575	\$323,575	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/55/17
Annex I

Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			CE (US\$/kg)
			Project	Support	Total	
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	UNEP		\$146,000	\$18,980	\$164,980	
	Total for Honduras		\$447,000	\$41,555	\$488,555	
INDIA						
PHASE-OUT PLAN						
CTC phase out plan						
CTC phase-out plan for the consumption and production sectors: 2008 annual programme	IBRD	440.0	\$3,211,875	\$240,891	\$3,452,766	
	Total for India	440.0	\$3,211,875	\$240,891	\$3,452,766	
JAMAICA						
SEVERAL						
Ozone unit support						
Extension of institutional strengthening project (phase VI)	UNEP		\$60,000	\$0	\$60,000	
	Total for Jamaica		\$60,000		\$60,000	
KENYA						
SEVERAL						
Ozone unit support						
Extension of the institutional strengthening project (2nd year of phase VI)	UNEP		\$75,833	\$0	\$75,833	
	Total for Kenya		\$75,833		\$75,833	
KOREA, DPR						
PHASE-OUT PLAN						
CTC phase out plan						
Plan for terminal phase-out of CTC (sixth tranche)	UNIDO	77.8	\$100,000	\$7,500	\$107,500	
	Total for Korea, DPR	77.8	\$100,000	\$7,500	\$107,500	
KYRGYZSTAN						
PHASE-OUT PLAN						
CFC phase out plan						
TPMP verification report	UNEP		\$20,000	\$2,600	\$22,600	
Terminal CFC phase-out management plan (second tranche)	UNDP	1.0	\$63,000	\$4,725	\$67,725	
Terminal CFC phase-out management plan (second tranche)	UNEP		\$65,100	\$8,463	\$73,563	
SEVERAL						
Ozone unit support						
Extension of the institutional strengthening project (phase IV)	UNEP		\$115,830	\$0	\$115,830	
	Total for Kyrgyzstan	1.0	\$263,930	\$15,788	\$279,718	

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Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			C.E. (US\$/kg)
			Project	Support	Total	
LEBANON						
PHASE-OUT PLAN						
CFC phase out plan						
National phase-out management plan for Annex-A Group-I substances (CFCs) (fifth tranche)	UNDP	35.0	\$65,000	\$4,875	\$69,875	
	Total for Lebanon	35.0	\$65,000	\$4,875	\$69,875	
MALAYSIA						
PHASE-OUT PLAN						
CFC phase out plan						
National CFC phase-out plan: 2008 annual programme	IBRD	89.0	\$275,000	\$24,750	\$299,750	
	Total for Malaysia	89.0	\$275,000	\$24,750	\$299,750	
MONGOLIA						
SEVERAL						
Ozone unit support						
Renewal of the institutional strengthening project (phase V)	UNEP		\$60,000	\$0	\$60,000	
	Total for Mongolia		\$60,000		\$60,000	
MONTENEGRO						
SEVERAL						
Ozone unit support						
Institutional strengthening project (phase I)	UNIDO		\$60,000	\$4,500	\$64,500	
	Total for Montenegro		\$60,000	\$4,500	\$64,500	
SAINT LUCIA						
SEVERAL						
Ozone unit support						
Renewal of institutional strengthening project (phase VI)	UNEP		\$60,000	\$0	\$60,000	
	Total for Saint Lucia		\$60,000		\$60,000	
SEYCHELLES						
PHASE-OUT PLAN						
ODS phase out plan						
Terminal ODS phase-out management plan (second tranche)	France		\$60,000	\$7,800	\$67,800	
	Total for Seychelles		\$60,000	\$7,800	\$67,800	
SRI LANKA						
SEVERAL						
Ozone unit support						
Extension of the institutional strengthening project (phase VII)	UNDP		\$134,056	\$10,054	\$144,110	
	Total for Sri Lanka		\$134,056	\$10,054	\$144,110	

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Annex I

Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			CE. (US\$/kg)
			Project	Support	Total	
THAILAND						
PHASE-OUT PLAN						
CFC phase out plan						
National CFC phase-out plan: 2008 annual implementation plan <i>Took note, with appreciation, of the verification audit of the imports of CFC, TCA and CTC in Thailand for the year 2006.</i>	IBRD	208.0	\$550,000	\$49,500	\$599,500	
	Total for Thailand	208.0	\$550,000	\$49,500	\$599,500	
TUNISIA						
SEVERAL						
Ozone unit support						
Extension of institutional strengthening project (phase V)	IBRD		\$247,270	\$18,545	\$265,815	
	Total for Tunisia		\$247,270	\$18,545	\$265,815	
UGANDA						
PHASE-OUT PLAN						
ODS phase out plan						
Terminal phase-out management plan (first tranche) <i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agency was urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>	France		\$152,500	\$19,825	\$172,325	
	Total for Uganda		\$152,500	\$19,825	\$172,325	
VIETNAM						
PHASE-OUT PLAN						
ODS phase out plan						
National CFC and halon phase-out plan (third tranche)	IBRD	58.7	\$178,463	\$13,385	\$191,848	
	Total for Vietnam	58.7	\$178,463	\$13,385	\$191,848	
	GRAND TOTAL	1,095.4	\$18,693,927	\$1,432,578	\$20,126,505	

Annex II

LIST OF PROJECTS FOR INDIVIDUAL CONSIDERATION

Country	Project	Agency	Issue
Methyl bromide			
China	Phase II of the MB production sector plan (2008-2010)	UNIDO	Adequacy of verification of MB production, an ODS with dual uses
Multi-year Agreements			
Central African Republic	TPMP	UNEP/France	Loss of funds from RMP, with little implementation, and return of fund balance from RMP
Chile	Servicing sector terminal CFC phase-out plan	Canada	NPP for a non-LVC country. All issues have been resolved
Nepal	CFC National Phase out Plan	UNEP	Low fund disbursement from previous funding tranche
Peru	CFC National phase out plan	UNEP/UNDP	National CFC consumption data need clarification
Yemen	National ODS Phase-Out Plan	UNIDO	Multiple technology options for foam conversion from CFC-11, such as HCFC and others, in light of decision XIX/6 of the MOP (pending)
MDI			
China	Sector plan for phase-out of CFCs consumption in MDI sector	UNIDO	Disagreement on cost but project needed to complete CFC phase-out
Production			
India	Accelerated CFC production phase out	World Bank	Clarification on the coverage of the penalty clause

Annex III

PROJECTS SUBMITTED TO THE 55TH MEETING THAT ARE NOT REQUIRED FOR COMPLIANCE PER THE MODEL

Country	Agency	Type	Chemical	Sector / Sub-Sector	2008 Business Plan Values (Including Support Costs)	Funds Requested at the 55th Meeting (Including Support Costs)	Reasons
Algeria	UNIDO	PRP	CFC	MDI, Project preparation	53,750	53,750	MDI
Armenia	UNDP	TAS	CFC	MDI transition Strategy	32,700	32,700	MDI - Strategies
Colombia	UNIDO	TAS	MBR	Technical assistance in the methyl bromide section (fumigants)		43,600	MB - Non-Investment
Democratic People's Republic of Korea	UNIDO	TAS	CFC	MDI transitional strategy	32,700	32,700	MDI - Strategies
East Timor	UNEP	INS	CFC	Institutional Strengthening	100,000	60,000	INS - Currently Not Eligible
Global	IBRD	TAS	Disposal	Development of strategy/methodology for ODS disposal	268,750	272,500	Disposal
Mongolia	UNIDO	TAS	CFC	MDI transition Strategy		32,700	MDI - Strategies
Pakistan	UNEP	TAS	CFC	MDI transitional strategy	200,000	33,900	MDI - Strategies
Peru	UNDP	TAS	CFC	MDI transition Strategy		32,700	MDI - Strategies
Sri Lanka	UNEP	PHA	CFC	MDI	300,000	33,900	MDI - Strategies
Syrian Arab Republic	UNIDO	PRP	CFC	Project preparation MDI	43,000	43,000	MDI
Venezuela (Bolivarian Republic of)	UNIDO	PRP	CFC	Project preparation, MDI Phase-out Plan	55,000	53,750	MDI

Annex IV

**ANALYSIS OF HPMP REQUESTS FROM AGENCIES IN THEIR WORK
PROGRAMME AMENDMENTS**

Background

1. The Secretariat received requests for the preparation of HCFC phase out management plans (HPMP) from 105 countries, including China. Out of these, 30 countries have requests from multiple agencies. There are a total of 144 combined requests from all agencies for these 105 countries.

2. The breakdown of the requests per agency as well as the corresponding funding request is as follows:

Agency	Number of requests	Amount requested (in US \$)
UNDP	33	8,905,000
UNEP	49	8,458,500
UNIDO	43	11,645,510
World Bank	6	1,090,000
GTZ	7	979,587
Total value of requests (excluding China)		31,078,597
Total value of requests including China		35,611,592

3. The funds requested for project preparation range from US \$75,000 (Mauritius and Namibia) which is the minimum to over US \$1 million (India) as the maximum for all these requests, excluding that for China. For the purpose of this analysis, China's request will be treated separately. Therefore, this document will cover only 139 requests for 104 countries.

4. Out of these submissions, the Secretariat noted that the amounts submitted by each agency exceeded what was originally indicated in the business plans approved by the Executive Committee at the 54th meeting by over US \$20 million., it also noted that there are many requests which are on each agencies work programme amendment but are not in their original business plan.

5. Each agency submitted a different justification for the funding requested. Some provided more detail than others, while some gave insufficient information to enable the Secretariat to analyse the funding being requested. In most cases, agencies classified countries into categories of consumption and provided a standard amount for each specific grouping. There was also a difference in how countries were classified into groups, which made it difficult for the Secretariat to reach a common understanding on how the funding requests can be reviewed.

6. In reviewing the ratification status, the Secretariat notes that out of the total number of countries seeking funding, five have not ratified both the London and Copenhagen Amendments, and only one country has not ratified the latter.

Proposed methodology for determining the level of funding for HPMP preparation

7. The decision by the Executive Committee at the 54th Meeting was to allow agencies to submit requests for the preparation of HPMPs to the 55th Meeting. An advance amounting to 10 percent of the total requests per agency (UNDP, UNEP and UNIDO) was provided to enable them to initiate the necessary ground work for developing the HPMP.

8. As in the case for the approval of RMP/TPMP/NPP and even sector plans, the level of funding for the HPMP preparation that may be approved for each of the countries will have to be based on certain assumptions, such as:

- (a) The preparation of an HPMP is similar to the earlier CP/RMP/TPMP and NPP preparation. This is in consideration of the fact that the guidelines for HPMP as well as the outline were developed taking all these historical information requirements as a basis as requested by the Executive Committee in decision 53/37. While the substance may be different, the sectors (i.e refrigeration, air conditioning and foam) are the same as those for CFCs therefore similar stakeholders;
- (b) Institutional capacity in the form of an already established NOU, the presence of a national steering or consultative body for the CFC phase out, as well as cooperation with the refrigeration, air conditioning and foam industries have been in place for a number of years now in most of the countries and can be used for HCFC phase out;
- (c) Many awareness raising activities have been funded and conducted in these countries on the Montreal Protocol and the substances that need to be phased out, and therefore there is an overall understanding of the commitments of the countries to phase out ozone-depleting substances;
- (d) Cooperation with training institutions and customs is institutionalized in these countries through the RMP and the TPMP; and
- (e) A regional network of experts on ozone protection exists in most regions where expertise and lessons from the earlier CFC phase out can be shared

9. The Secretariat is also cognizant of the fact that the project preparation for the HPMP will comprise the development of an overarching national strategy for the phase out of HCFCs as well as a fully developed Stage 1 which will detail the funds required by each country to meet the freeze in 2013 and possibly the 10 percent reduction target in 2015.

10. In line with decision 54/39, the Secretariat also classified the countries into two main categories:

- (a) Countries with HCFC consumption in the servicing sector only (HCFC-22); and
- (b) Countries with HCFC consumption in both servicing and manufacturing (HCFC-22, HCFC-141b and other HCFCs).

11. It was also noted that there were a number of countries that either reported zero HCFC consumption under Article 7, or not reported data at all. The Secretariat therefore considered these countries as a third group, with the caveat that this is a possible information gap, and that there could be HCFC consumption but not properly recorded and reported. Based on the size of these countries as well as their CFC consumption, however, it may be assumed that most of their HCFC consumption will be in the service sector as well.

12. The Secretariat therefore considered the following aspects in the review:

- (a) Using uniform criteria to ensure equity among countries;
- (b) Consider the level of consumption as an indicator of the amount of project preparation funds required, as well as the complexity of the work involved;
- (c) Break down of funding levels into component costs; and
- (d) Comparison with cost bench marks for similar components in the history of the Fund, in particular, the level of funding provided for country programme preparation, RMP, TPMP, sector plans and national phase out plans for larger countries as well as costs for project preparation for investment projects.

13. The Secretariat attempted to define standard costs and components necessary for the preparation of an HPMP, taking into account decision 54/39, which encapsulates the guidelines for HPMP preparation and provides information on the main components of an HPMP, as well as similar components and activities done for earlier project preparation exercises. The Secretariat also considered the tasks indicated by some of the agencies in their submissions.

14. In doing so, the Secretariat has determined that HPMP preparation funding can be divided into the following components, in line on decision 54/39:

- (a) Assistance for policy and legislation;
- (b) Survey of HCFC use and analysis of data;
- (c) Development and finalization of the HPMP including consultations; and
- (d) Individual investment project proposals.

15. It is envisaged that the first three components listed above will be common to all countries seeking funding. The fourth component, on the other hand, will specifically be relevant only to those countries that use HCFC for manufacturing, and that will be submitting requests for possible demonstration or other investment projects as part of their HPMP preparation to meet their Stage 1 requirements. This is bearing in mind that countries need, at the outset, to determine a starting point by which the reduction associated with such project may be deducted from (decision 54/39). These costs will be considered as part of the total HPMP preparation, but will be in addition to the standard costs for the initial three components and reviewed based on the details provided by the agencies to support their request. The Secretariat also notes that in the development of the first three components, this may already consider the inclusion of potential investment projects for smaller enterprises in sectors where the

technology conversion is simple and where there are already commercially available technologies.

16. In reviewing the components outlined above, the Secretariat also considered that adjustments would be needed to the funding of the components based on the following premises:

- (a) Cost of policy and legislation assistance provided under the RMP and TPMP, and considering that most countries have included HCFC in their legislation pursuant to Article 4B and the Montreal Amendment. Any additional assistance would only be for the inclusion of these substances into their existing licensing systems for ODS and will cover additional legal drafting as well as consultations;
- (b) The costs for the survey were taken from an analysis of what has been approved by the Executive Committee for earlier HCFC surveys taking into account consumption levels. This analysis included consideration of the actual expenditures incurred in these approved projects based on current progress reports, and an average amount was thereby determined. For countries where funds for a survey were already approved, these would need to be discounted pro rata to ensure equity of funding. In countries with zero consumption, a survey may possibly yield HCFC consumption mostly in the refrigeration servicing sector, and some information similar to that available through the RMP and TPMP implementation; and
- (c) The finalization of the HPMP will include workshops and consultations with stakeholders.

17. It is also expected that the National Ozone Unit and its Ozone Officer will lead and coordinate the preparation of the HPMP from the national government and provide overall oversight function, with expert advice provided by the implementing agency responsible and no additional funds will be required for local coordination.

Consideration of earlier funding provided for the preparation of country programmes, RMPs and TPMPs as a basis for determining funding for the overarching strategy

18. The Secretariat reviewed the funding approved for earlier CP, RMP and TPMP for those countries that have received such funding. On average, the smaller and medium-sized countries received US \$100,000 in total for these three activities. However, activities that were covered for the earlier approvals have put in place a capacity in the country to implement the development of the HPMP on the basis that:

- (a) During the country programme preparation, countries established their ODS infrastructure and contacts with the various stakeholders. At this time assistance for the establishment of ODS policy was already provided;

- (b) For the RMP preparation, the focus was on the whole refrigeration servicing sector, where surveys were already undertaken to understand the sector, workshops and technicians were identified, and formal contacts with refrigeration associations as well as the training infrastructure was established. Policy assistance was again provided at this stage; and
- (c) During TPMP preparation, only the remaining consumption on the servicing sector was to be covered, policy assistance was also provided, as well as additional training.

19. In considering the above, the activities and corresponding costs for the preparation of an HPMP can be compared only to one of these, and not a total. In this case, it should be the most recent approval, which will be the TPMP as this would have provided the total institutional set up required for the HPMP development. This however precludes the inclusion of individual investment projects for countries with manufacturing.

Secretariat's comments and recommendations

20. In the absence of agreed funding policies specifically related to HCFCs, the Secretariat drew on the Fund's experience to date of addressing ODS phase out. Despite the Executive Committee's decision requesting agencies to provide details of the components of the requested funding, no agency gave information on the objectives and expected deliverables for the project other than Germany. While there was an indication of some "generic" costs, this was not easy to apply to those requests for countries where multiple agencies were working together. Therefore, in view of the wide range of costs submitted by the agencies for the HPMP preparation funding requests, the Secretariat is unable to come to a conclusion based on the information provided.

21. The Secretariat noted that out of total requests submitted, eleven countries have zero consumption while eleven have no reported data. Forty-five countries have consumption of HCFC-22 only, and the remaining 39 have reported consumption of both HCFC-22 and for other HCFCs. For the majority of the latter, consumption of HCFC-22 is higher than other HCFCs. The data used for this analysis is taken from countries' reported HCFC consumption under Article 7 for 2006. For the eleven countries that have not reported data, the most recent reported information is used for the purpose of this analysis.

22. In reviewing these requests the Secretariat considered the following:

- (a) Latest HCFC consumption in the countries on the list based on Article 7;
- (b) Common elements of HPMP project preparation as seen from the submissions;
- (c) HPMP guidelines as approved in decision 54/39, and the elements of an HPMP as indicated therein;
- (d) Earlier costs of country programme preparation, RMP/TPMP/NPP preparation as well as costs for the preparation of sector plans for CFC phase out for all countries as well as costs for individual preparation for countries with HCFC manufacturing; and

- (e) Costs of earlier approved HCFC surveys for 13 countries.

Countries with zero HCFC consumption

23. The Secretariat received requests for eleven countries that have zero consumption reported in their Article 7 data. While these countries might have some HCFC-22 consumption, the current assumption based on official reports is that they have no recorded imports of any HCFCs. Taking these into account, the Secretariat then calculated what would be the minimum funding level for the preparation of an HPMP in line with paragraph 14 above for these countries. In calculating the costs for each component, the Secretariat took note that many of these countries have had funding for a RMP and TPMP and there exists therefore an institutional capacity and organization that will be used for the HPMP preparation. They were also already provided policy assistance as well as training in the refrigeration servicing sector.

Countries with HCFC-22 consumption only or those with servicing needs only

24. In following this approach, the Secretariat proceeded to classify countries with reported HCFC consumption as in paragraph 21, those with HCFC for servicing only, and those with HCFC for both servicing and manufacturing. The assumption for grouping countries with servicing needs for HCFC together is that activities that will lead to the phase out of HCFCs in these countries will be similar to TPMPs, consistent with decision 54/39 paragraph c (i), (a and b).

25. There are 45 countries with HCFC-22 consumption only where funds are being sought for HPMP preparation at this meeting. Considering that since the consumption in these countries is for refrigeration servicing only, the HPMP preparation funding will need to include only three components for funding.

Countries with HCFC use in both servicing and manufacturing

26. In looking at countries where there is HCFC consumption in both servicing and manufacturing sector, the Secretariat is cognizant of the fact that some activities may cost more because of the complexity of the tasks, as compared to those countries with servicing only. It is also aware that for a number of these countries, multiple agencies will be involved in the project preparation process. Following the assumptions above on the required components for the HPMP, these countries will have to undertake the same main activities with similar standard costs as indicated in the table below, as well as the fourth component which will determine an amount for project preparation for possible investment projects for technology demonstration. The Secretariat also tried to standardise these costs to minimise duplication and overlaps between agencies for their responsibilities. It is assumed that the lead agency responsible for the HPMP preparation will get the full costs for the three components, and additional investment project preparation can be provided to the cooperating agency if basic details are provided on what these requests are for, and for what sector.

27. The additional component for investment project preparation will be applicable only to those countries that wish to submit individual projects for demonstration, or for phase out of HCFCs in a sector to meet the first control measures in 2013 and 2015. Requests will be approved on a case by case basis, with full justification from the agency on their requested funding. While it is assumed that most of the current submissions include costs for investment project preparation, agencies have not provided information on sectors where these will be undertaken. It is recognized that the current total funding levels for each range of consumption will remain indicative and will be for only the three components, and will change when agencies know which sector and what project preparation will be submitted.

Discussion with agencies

28. The Secretariat discussed the above approach with the implementing and bilateral agencies. The agencies did not agree to the Secretariat's methodology and indicated that the following aspects were not considered, among others:

- (a) The new and difficult challenges for HCFC phase out, which according to them are different from what was faced during the CFC phase out;
- (b) That the assumptions used are not applicable to HCFC phase out since stakeholders and users are not the same as CFCs;
- (c) That the costs proposed are not sufficient considering the amount of work that will need to be completed;
- (d) That the use of Article 7 data to establish funding is not reliable since data may not be accurate for many countries; and
- (e) That comparing funding to that for CP/RMP and TPMP does not reflect the magnitude of work that needs to be done.

29. The Secretariat requested the agencies to provide more detailed information and breakdown of the funding requested and to specify in particular how much is being sought for project preparation for investment activities and for which sectors. UNDP, UNIDO, and the World Bank provided such a breakdown but only for the three components mentioned above. GTZ had already provided these details in their original submission.

30. In view of this analysis, the Secretariat proposed the following standard costs:

Summary table of recommended costs for HPMP preparation

Country classification	zero consumption	countries with servicing only (HCFC-22 only)	countries with servicing and manufacturing* (mid-consumption countries)	countries with servicing and manufacturing* (larger consumption countries)
ACTIVITY	BUDGETS (US \$)			
1. Policy assistance for HCFC licensing system				
Legal consultant(s)	4,000	10,000	15,000	15,000
Consultation meetings to finalise guidelines and rules	4,000	5,000	10,000	10,000
Information Dissemination for enforcement	2,000	5,000	5,000	5,000
Sub-total:	10,000	20,000	30,000	30,000
2. Survey, Data collection and Analysis**				
Consultant costs	5,000	10,000	20,000	40,000
Stakeholder consultation meeting and finalisation of report	5,000	5,000	10,000	10,000
Data collection costs (including travel, if required)	5,000	10,000	25,000	35,000
Sub-total:	15,000	25,000	55,000	85,000
3. Strategy development and finalisation				
3 national meetings (start of the process, initial consultation and final consultation)	10,000	15,000	20,000	30,000
Documentation and information materials (sub-contract)	5,000	5,000	5,000	5,000
local travel expenses for meeting participants	10,000	20,000	15,000	15,000
Consultants to review technology including climate benefits	Not applicable	Not applicable	25,000	30,000
Sub-total:	25,000	40,000	65,000	80,000
Total Cost	50,000	85,000	150,000	195,000

* these costs are standard costs for the preparation of the HPMP, individual project preparation for demonstration and other investment projects will be costed separately / ** funding already received by countries for surveys will be adjusted lower than these proposed costs, accordingly.

31. Based on the above table and the exclusions noted, the cost to the Multilateral Fund for the preparation of HPMPs for requests submitted to the 55th Meeting are summarized as follows:

Consumption range	Number of countries	Cost of HPMP preparation per country (in US \$)	Potential cost to the MLF for the 55 th Meeting (in US \$)
Zero*	11	50,000	550,000
Below 6 -100 (HCFC-22 only)	45	85,000	3,825,000
High consumption with both servicing and mfg (101-1,200)	16	195,000**	3,120,000**
Medium consumption with both servicing and manufacturing (6-100)	23	150,000**	3,450,000**
		Total	10,945,000

*This does not include the 11 countries that have not reported 2006 data

**This does not include costs for project preparation for investment projects
