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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-sixth Meeting
Doha, 8-12 November 2008

SECRETARIAT ACTIVITIES

The Secretariat of the Multilateral Fund wishes to acknowledge with gratitude the generous hospitality of the Government of Qatar in contributing US \$300,000 towards hosting the Fifty-sixth Meeting of the Executive Committee in Doha.

Notification of the Decisions of the 55th Meeting of the Executive Committee

1. The report of the 55th Meeting (UNEP/OzL.Pro/ExCom/55/53 & Corr.1), containing the decisions of the Executive Committee, was conveyed to all Executive Committee members, other participants of the 55th Meeting, and to Parties to the Montreal Protocol. Additionally, decisions related to project approvals, implementation delays and annual tranche submission delays were communicated to 115 Article 5 countries, and to the relevant bilateral and implementing agencies. A post meeting document summarizing decisions taken at the 55th Meeting was sent by email to all meeting participants, and Parties to the Montreal Protocol, and was also placed on the Multilateral Fund's intranet and website.

Decisions requesting certain actions by the Secretariat and/or implementing agencies

2. The Secretariat sent instructions to the Treasurer to transfer funds to the four implementing agencies regarding the net allocations approved at the 55th Meeting, shortly after finalization of the 55th Executive Committee report, and to offset bilateral projects approvals against the concerned countries' contributions.

3. In response to decision 55/43(i), the Secretariat wrote to a number of institutions with the objective of identifying individual, regional or multilateral funding mechanisms that might be suitable and compatible as sources for timely co-financing to top up Multilateral Fund ozone funding and so achieve additional climate benefits. These institutions included the Global Environment Facility (GEF), the Fonds Français pour l'Environnement Mondial, PROPARCO (a financial institution that works in the field of private-public partnership in development and environment), the Carbon Finance Unit of the World Bank, the African Development Bank, the Inter-American Development Bank and the European Bank for Reconstruction and Development. The letter and background note sent by the Fund Secretariat as well as two replies received by the time of issuance of this document are attached as Annex I.

Review of tasks in preparation for the 56th Meeting

4. The Secretariat has undertaken the following tasks in preparation for the 56th Meeting.

Status of resources and planning

Balances and availability of resources

5. The Secretariat prepared information on balances and the availability of resources that included a review of the obligated total balances from completed projects held by agencies, and any agency support costs associated with the funds remaining from those completed projects. It also included a calculation of the total amount of resources available to the Executive Committee for approvals at the 56th Meeting. Resources comprise of cash and promissory notes recorded in the Status of Contributions, plus the amount of funds returned from completed projects in the form of balances. A total of US \$1,124,367 excluding agency support costs is to be returned as balances and thus, as of 3 October 2008, US \$101,067,102 was available for approvals by the Executive Committee at its 56th Meeting.

2008 business plans and annual tranche submission delays

6. The Secretariat reviewed the status of the implementation of the 2008 business plans in light of the submissions to the 56th Meeting and previous approvals at the 54th and 55th Meetings and the extent to which these approvals and proposals differ in value from those in the business plan. Document UNEP/OzL.Pro/ExCom/56/5 highlights the activities that were required for compliance but had not been submitted to the 56th Meeting. It also provides an assessment of the forward commitments approved to-date and the additional commitments submitted to the 56th Meeting for approval. The Secretariat also

prepared information on annual tranche submission delays indicating that 30 annual tranches due to the 56th Meeting were not submitted and that 12 of these tranches have been delayed for the second or third consecutive meeting. An addendum to document UNEP/OzL.Pro/ExCom/56/5 further addresses the extent to which forward commitments submitted for approval at the 56th Meeting correspond to the amounts associated with them in the 2008-2010 business plans.

Status on implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol

7. The Secretariat prepared an update of the status of compliance of Article 5 countries with Montreal Protocol control measures based on 2007 Article 7 (A7) data or, for countries that had not submitted A7 data, on 2007 country programme (CP) data. For 18 countries that had not yet provided 2007 A7 or CP data, the assessment was based on data for prior years. The main purpose of the analysis presented in document UNEP/OzL.Pro/ExCom/56/6 is to identify ODS that have still to be addressed by actions supported by the Multilateral Fund. In response to decision 55/4(f) the Secretariat revised the risk of non-compliance indicators taking into account comments from the Parties in response to correspondence and follow-up phone calls. The document includes an updated risk assessment and the views expressed by countries concerning the indicators used in the assessment. Information on projects with implementation delays in countries with compliance issues is also provided.

Updated model rolling three-year phase-out plan: 2009-2011

8. In accordance with decision 53/5(d) the Secretariat prepared an updated model three-year rolling phase-out plan for the 2009-2011 triennium to provide guidance for the preparation of the 2009-2011 business plan of the Multilateral Fund (UNEP/OzL.Pro/ExCom/56/7). Based on the results of the model, an additional 2,156.5 ODP tonnes of ODS, mostly CFCs, still have to be addressed to enable all Article 5 countries to achieve compliance with the Montreal Protocol. Over 86 per cent of this amount is linked to the phase-out of CFCs. It was also noted that 12,197.8 ODP tonnes of ODS consumption and 7,997.0 ODP tonnes of ODS production, excluding HCFCs, have yet to be phased out in approved multi-year sectoral and national phase out plans during the remainder of 2008 and in the 2009-2011 triennium. Of the total funding that has been approved in principle for 2008, an amount of US \$5,764,682 associated with tranches of phase-out projects in 19 countries has not been submitted to the 56th Meeting. The document also provides the 2007 HCFC consumption and production reported by 144 Article 5 countries to be 26,367.8 ODP tonnes and 30,581.3 ODP tonnes respectively.

Monitoring and Evaluation

9. The Senior Monitoring and Evaluation Officer prepared a consolidated project completion report (PCR), analyzing the PCRs submitted by bilateral and implementing agencies since the 53rd Meeting (document UNEP/OzL.Pro/ExCom/56/9 and Add.1). He also prepared the final report on the evaluation of institutional strengthening projects (document UNEP/OzL.Pro/ExCom/56/8), and a draft monitoring and evaluation work programme for 2009 (document UNEP/OzL.Pro/ExCom/53/10).

Review of approved projects with specific reporting requirements

10. The Secretariat reviewed progress reports submitted by implementing agencies on behalf of the Governments of Argentina, Bhutan, China, Colombia, Croatia, Ghana, Kenya, and Mexico (two projects), in light of the original project proposals, ODS data reported by the respective Governments under Article 7 of the Montreal Protocol, and relevant decisions taken by the Executive Committee and the Meeting of the Parties. The Secretariat's review and comments are presented in document UNEP/OzL.Pro/ExCom/56/11. The Secretariat also reported on the progress achieved in implementing chiller projects that had been approved by the 47th Meeting of the Executive Committee (decision 47/26),

based on reports from and discussions with the implementing agencies as well as with the GEF Secretariat as set out in document UNEP/OzL.Pro/ExCom/56/11/Add.1.

Project Review

11. The Secretariat received for consideration at the 56th Meeting multi-year agreements, projects and activities amounting to US \$104,943,767. This amount includes the total value of new multi-year agreements proposed for approval in principle. This total also covers 148 funding requests, which include specific annual tranches and other projects/activities amounting to US \$102,379,257 (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 139 or 93.9 per cent of the total number of the funding requests that had been received, with a value of US \$79,853,565 or 78 per cent of the total value of the requests. The Secretariat prepared an overview of issues identified during project review (document UNEP/OzL.Pro/ExCom/56/12) which included an outline of and statistics on the submissions received from implementing and bilateral agencies and an assessment of the fund balance against the funds requested through submissions. One policy issue is addressed in this document namely, the resubmission of requests for project funding that were previously not approved.

12. In response to decision 55/13(d) the Secretariat prepared document UNEP/OzL.Pro/ExCom/56/13 setting out the proposal for a cost structure for determining the funding levels for the preparation of HCFC investment and associated activities. The Secretariat also provided an overview of requests from bilateral agencies, to indicate whether they are eligible for approval by the Executive Committee in light of the maximum level of bilateral cooperation available for 2008 (document UNEP/OzL.Pro/ExCom/56/14). The document also cross-references relevant meeting documents, which include a discussion on the bilateral requests.

Administrative Costs

13. Pursuant to decision 55/44, the Secretariat prepared a review of the report by PriceWaterhouseCoopers (PWC) on administrative costs contained in UNEP/OzL.Pro/ExCom/55/19. The document sets out some of the key issues for consideration by the Executive Committee, including the issue of a standard definition of administrative costs and a Trust Fund for UNIDO.

14. Any decision on administrative costs could have an impact on the Committee's consideration of core unit costs for the 2009-2011 triennium as well as CAP and agency fees for bilateral agencies. Core unit costs are reviewed by the Secretariat in document UNEP/OzL.Pro/ExCom/56/20, which presents a review of core unit budget data and other administrative costs of UNDP, UNIDO and the World Bank for 2006 and 2007, estimated costs for 2008 and proposed costs for 2009. The analysis includes an assessment of the extent to which resources available for administrative costs in 2009 could cover the proposed 2009 costs.

HCFC phase-out

15. The Secretariat compiled relevant information from earlier meetings to assist with deliberation on phase-out in the HCFC production sector (UNEP/OzL.Pro/ExCom/56/57), and issues related to cost considerations surrounding the financing of HCFC phase-out (UNEP/OzL.Pro/ExCom/56/58).

Accounts of the Multilateral Fund

16. The Secretariat reviewed the document on the final 2007 accounts of the Multilateral Fund prepared by the Treasurer (document UNEP/OzL.Pro/ExCom/56/59) and highlighted the changes since

the presentation of the provisional accounts at the 55th Meeting. The reconciliation of the 2006 and 2007 accounts is presented as document UNEP/OzL.Pro/ExCom/56/60.

Revised 2009, 2010 and proposed 2011 budgets of the Fund Secretariat.

17. Document UNEP/OzL.Pro/ExCom/56/61 includes a revision of the 2009 budget as well as the budget for 2010 as approved by decision 54/44, and sets out the 2011 budget to cover staff costs in 2011. It includes requests for the 2008 budget to cover an overrun of conference service costs due to the 55th Executive Committee meeting having been held in Bangkok, back to back with the Ozone Secretariat's meetings, instead of in Montreal. The other request for non-recurring amounts is for funds to cover staff travel and the difference in conference service costs should the 58th Meeting in July 2009 be held in Geneva instead of Montreal.

Draft report of the Executive Committee to the Twentieth Meeting of the Parties to the Montreal Protocol

18. The Secretariat prepared a draft of the report of the Executive Committee to the Twentieth Meeting of the Parties highlighting the most important decisions taken by the Committee at its 53rd, 54th and 55th Meetings (document UNEP/OzL.Pro/ExCom/56/63). The report will be updated immediately after the conclusion of the 56th Meeting of the Executive Committee for onward transmission to the Twentieth Meeting of the Parties to the Montreal Protocol.

Documents and policy papers prepared by the Fund Secretariat

19. Of the documents submitted for consideration at the 56th Meeting, the following were prepared by the Fund Secretariat:

- Provisional agenda and annotated agenda;
- Secretariat activities;
- Status of contributions and disbursements (jointly with the Treasurer);
- Report on balances and availability of resources;
- 2008 business plans and annual tranche submission delays;
- Status on implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol;
- Updated model rolling three-year phase-out plan: 2009-2011 (follow-up to decision 53/5 (d));
- Final report on the evaluation of institutional strengthening projects;
- 2008 consolidated project completion report;
- Draft Monitoring and Evaluation work programme for the year 2009;
- Report on implementation of approved projects with specific reporting requirements;
- Overview of issues identified during project review;
- Cost structure for determining funding levels for preparation of HCFC investment and associated activities (decision 55/13(d));
- Bilateral cooperation;
- Comments and recommendations on the 2008 Amendments to work programmes of UNDP, UNEP, UNIDO and the World Bank (4 documents);
- Project evaluation sheets, comments and recommendations on the projects and activities submitted to the 56th Meeting;
- Report on key issues from the assessment of the administrative costs required for the 2009-2011 triennium (decision 55/44);
- 2009 core unit costs for UNDP, UNIDO and the World Bank;
- Comments on the Compliance Assistance Programme (CAP) budget for 2009;

- Further elaboration and analysis of issues pertaining to the phase-out of the HCFC production sector (decisions 53/37(g) and 55/42);
- Issues related to relevant cost consideration surrounding the financing of HCFC phase out (decision 55/43(g));
- 2007 Accounts of the Multilateral Fund (jointly with Treasurer);
- Comments on the 2007 financial statements (jointly with the Treasurer);
- Reconciliation of the 2006 and 2007 accounts;
- Revised 2009, 2010 and proposed 2011 budgets of the Fund Secretariat; and,
- Draft report of the Executive Committee to the Twentieth Meeting of the Parties to the Montreal Protocol.

Cooperation with other Multilateral Environmental Agreements (MEAs) and other organizations

Basel Convention

20. At the 55th Meeting the Chief Officer informed the Executive Committee that she had received a letter dated 10 April 2008 from the Executive Secretary of Secretariat of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal regarding the establishment of special conditions for projects proposed by Parties to the Basel Convention that focus on the environmentally sound management of wastes containing ODS. Following the proposal made by the Executive Committee at the 55th Meeting, the Chief Officer replied to the Executive Secretary of the Basel Convention informing her that discussions concerning ODS disposal issues were still ongoing and that it would be premature to take the course of action proposed by the Basel Convention Secretariat at that time.

Rotterdam Convention

21. As reported at the 55th Meeting, the Chief Officer transmitted the response of the Executive Committee to the Secretariat of the Rotterdam Convention on the Prior Informed Consent Procedure regarding its request in decision RC-3/5 to identify areas of collaboration that could support implementation of relevant objectives of the Convention. As a follow-up, and since the response from the Multilateral Fund is included in the documentation for the meeting, the Chief Officer is expecting to attend, as an observer, the Fourth Meeting of the Conference of the Parties of the Rotterdam Convention to be held in Rome, Italy from 27-31 October 2008.

UNEP

22. The Secretariat received an invitation from the Executive Director of UNEP to take part in a MEA Management Team meeting which would take place by teleconference on 27 August 2008. The meeting between representatives of MEAs and UNEP's Executive Director included discussions on UNEP's Programme of Work for 2010-2011 and linkages to MEAs, an exchange of views on synergies among MEAs and an exchange of experience on UNEP's staff survey. The Multilateral Fund Secretariat was represented by the Deputy Chief Officer.

Global Environment Facility

23. The Secretariat was invited by the Chief Executive Officer of the Global Environment Facility to nominate a representative to serve on the GEF Chemicals Technical Advisory Group (TAG), which was initiated as part of the process for revising the chemicals related focal area strategies that can direct the programming of GEF 5. Membership of the Chemicals TAG will include three external representatives selected from among the nominations made by Council Members, one representative of the Secretariat of the relevant Convention, one member of the GEF Scientific & Technical Advisory Panel (STAP), and one

member from the GEF Secretariat. The TAG will prepare a strategy paper for the chemicals sector which includes ODS.

Meetings attended and missions undertaken

Missions of the Chief Officer

Paris, France (4-5 September 2008)

24. The Chief Officer participated in the meeting of the Compliance Assistance Programme (CAP) Advisory Group to discuss future challenges and the focus needed to assist developing countries to meet their 2010 ODS phase-out obligations.

Missions related to the monitoring and evaluation work programme for the year 2008

Dhaka, Bangladesh (16-20 August 2008) and Kathmandu, Nepal (20-23 August 2008)

25. The Senior Monitoring and Evaluation Officer (SMEO) and a consultant visited Bangladesh and Nepal regarding the preparation of country case studies with respect to the evaluation of institutional strengthening projects. In Bangladesh the SMEO, together with representatives from UNEP's CAP ROAP office (Regional Office for Asia and the Pacific) and UNDP's Bangkok and Dhaka offices, met with officials from relevant government departments, the national ozone unit (NOU) and project management unit (PMU), and held high level discussions on a fast track approval process for Multilateral Fund projects with the Director General of the Department of Environment, the Secretary and Joint Secretary of the Ministry of Environment and Forests, and the Additional Secretary of the Economic Relations Division. Subsequently the Secretariat learned that on 7 October 2008 the Government of Bangladesh signed project documents for the MDI project approved at the 52nd Meeting of the Executive Committee and the fifth phase of the institutional strengthening project approved at the 53rd Meeting.

26. In Nepal the SMEO held discussions with the NOU and representatives of servicing workshops and their association, importers, and UNDP project officers.

Missions of other staff

Cotonou, Benin (8-11 September 2008)

27. A Senior Programme Officer attended the first meeting of the Joint Meeting of the Ozone Officers Network of the English-Speaking and French-Speaking Africa where he gave a presentation on progress towards the implementation of Multilateral Fund projects in the region and the main decisions of the 55th Executive Committee Meeting. A further presentation on the status of progress reports on the implementation of country programmes included a demonstration of the online reporting format for country programme reports. He was briefed by UNDP and the World Bank on co-financing possibilities through the Clean Development Mechanism (CDM), the Global Environment Facility (GEF), and the World Bank's new Carbon Investment Fund (CIF).

Tokyo, Japan (16-23 September 2008)

28. The Deputy Chief Officer attended the Workshop on ODS destruction organized by the Government of Japan where, with the permission of ICF International, he presented the results of the ICF study on the destruction of ODS. Following the workshop he attended the meeting of South Asia (SA) Ozone Officers Network (21-22 September 2008) and gave presentations on recent pertinent Executive Committee decisions and country programme reporting requirements. He also established contacts with

representatives of the Chicago Climate Exchange and the Over the Counter Exchange regarding the possible use of market-based mechanisms to finance ODS destruction and HCFC phase-out.

Nairobi, Kenya, (22-26 September 2008)

29. The Senior Administrative and Fund Management Officer together with the Associate Executive Assistant and the Associate Information Network Officer travelled to UNEP in Nairobi to hold discussions with representatives of the Qatar MICE (Meetings, Incentives, Conferences & Exhibitions) Development Institute (QMDI), and the event team organizer for the Government of Qatar, on the information technology infrastructure requirements for the paperless 56th Meeting of the Executive Committee in Doha as well as the training needs for staff and participants in respect of the electronic meeting system. Discussions were held on the specific logistic requirements to accommodate both the 56th Meeting and the Ozone Secretariat's Montreal Protocol meetings. The Senior Administrative and Fund Management Officer also consulted with representatives of the UNON Conference Service Section regarding the provision of interpretation services and other support services for the 56th Executive Committee Meeting. In addition she took the opportunity to discuss various administrative issues with relevant UNEP and UNON staff.

Santo Domingo, Dominican Republic (27 –30 October 2008)

30. A Senior Programme Management Officer will attend the Main Joint Meeting of the Ozone Officers Network for Latin America and English Speaking Caribbean sub-regions in order to update participants on recent Executive Committee decisions, in particular those related to the preparation of HCFC phase-out management plans and the phase-out of HCFCs.

Secretariat staffing

31. The following actions were taken with respect of the new posts that had been approved by the Committee at its 54th Meeting in March 2008 (decision 54/44). With respect to the two new P3 level posts, both are being filled on short-term arrangements pending classification of the job descriptions. As reported to the 55th Meeting the Secretariat took the initiative to bring on a lateral transfer a P3 level officer from Nairobi with substantive experience in project review and coordination. The other P3 post is being filled on a short-term contractual arrangement. The two new G6 general service posts were advertised locally and also filled on a temporary basis, pending classification and advertisement of the positions through the UN Galaxy system.

32. The Secretariat was also able to retain the services of the Deputy Chief Officer, Mr Sheng Shuo Lang, until December 2008. The permission for an extension of his services by 7 months beyond retirement age was obtained on an exceptional basis from the United Nations headquarters with the support of UNEP's Executive Director, since the upgrade of the Deputy Chief Officer position is effective only in 2009. The revision of the job description of the Deputy Chief Officer to upgrade the post from the P5 to D1 level and the upgrade of the post of the Associate Executive Assistant from the P2 to P3 level are underway.

33. The Secretariat has also continued to provide in-house language classes to some of its staff.

Preparation for the meetings of the Executive Committee

34. Logistic arrangements were made for the 56th Meeting of the Executive Committee, to be held at the Sheraton Doha Resort & Convention Hotel in Doha, Qatar from 8-12 November 2008 (see paragraph 29). Letters of invitation and meeting documentation were provided to members of the

Executive Committee, the President of the Bureau of the Twentieth Meeting of the Parties, the President and Vice President of the Implementation Committee, the Executive Director of UNEP, the Executive Secretary of the Ozone Secretariat, the implementing agencies and NGOs. The host government agreement with the government of Qatar was finalized and an estimated amount of US \$300,000 was negotiated to cover the cost differential of holding the meeting in Doha as opposed to having it in Montreal.

Information activities

35. The report of the 55th Meeting of the Executive Committee in Arabic, Chinese, English, French and Spanish, a post-meeting summary and a news release were posted on the Multilateral Fund public web site (www.multilateralfund.org). A 56th Meeting site was created on the intranet containing documents and logistical information on the 56th Meeting. Documents for general distribution were placed on the public web site.

36. The Fund Secretariat reviewed and updated the following databases, documents and operational guidelines for the 56th Meeting:

- Inventory of Approved Projects as of July 2008,
- Country Programme Summary Sheets as of July 2008,
- Policies, Procedures, Guidelines and Criteria as of July 2008.

**LETTER FROM THE FUND SECRETARIAT TO OTHER INSTITUTIONS
IN RESPONSE TO DECISION 55/43(i)**

29 September 2008

Dear,

The Multilateral Fund for the Implementation of the Montreal Protocol (Multilateral Fund) is a major UN environmental funding institution, replenished through contributions from industrialized countries that are Party to the Montreal Protocol by, on average, US \$150 million per year on a three-yearly basis. The Multilateral Fund provides assistance to more than 140 developing countries to meet specific and quantifiable targets set by the Montreal Protocol for the complete phase-out of the consumption of certain chemicals that deplete the ozone layer.

At their 19th Meeting in September 2007, the Parties to the Montreal Protocol agreed an accelerated phase-out schedule for one widely used group of ozone depleting substances, namely HCFCs. In taking this decision the Parties mandated the Multilateral Fund and its Executive Committee to give priority to projects and programmes that focus on alternatives that also minimize other impacts on the environment, including on climate and energy use. At its 55th Meeting in July this year, the Executive Committee requested the Fund Secretariat to approach other institutions with the objective of identifying individual, regional or multilateral funding mechanisms that might be suitable and compatible as sources for timely co-financing to top up Multilateral Fund ozone funding in order to achieve additional climate benefits.

Based on the above, I would like to explore whether your institution would be interested in discussing the potential for collaborative projects to address both climate and ozone depletion. These projects would aim to achieve a reduction in energy consumption and related CO₂ emissions as well as reducing the emission of industrial greenhouse gases in developing countries, while at the same time eliminating the use of ozone depleting substances as per the mandate of the Multilateral Fund.

In the brief note enclosed with this letter I have compiled for your information some facts regarding our institution, our new tasks, and the opportunities I recognize for collaboration on a project-level basis. In addition, I have enclosed a brochure called "Creating a real change for the environment", which might provide you with some insight into our organization beyond the content of the enclosed concept note. While further information is also available on our website www.multilateralfund.org, you are also very welcome to contact me for any specifics needed.

At the present point in time I would appreciate receiving a general expression of either your interest, or lack thereof. This would allow us to subsequently enter into more specific exchanges of information to ascertain if our respective frameworks and mandates are generally compatible, how collaborative action could be developed, and to decide on the next steps to take.

I am looking forward to your reply, if possible by 17 October.

Sincerely yours,

Maria Nolan
Chief Officer

Enclosures

Addressees of the Multilateral Fund Secretariat's Letter dated 29 September 2008

Ms. Monique Barbut
CEO and Chairperson
Global Environment Facility (GEF)
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Fonds Français pour l'Environnement Mondial
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Mr. Jean-Michel Severino
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Mr. Daniele Ponzi
Acting Head
Gender, Climate Change and Sustainable Development Unit
African Development Bank
BP. 323 1002
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Mr. Roberto Vellutini
Manager, Infrastructure and Environment Sector
Inter-American Development Bank
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Washington, D.C. 20577, USA

Mr. Terry McCallion
Director, Energy Efficiency and Climate Change
European Bank for Reconstruction and Development
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London EC2A 2JN, United Kingdom

**BRIEF NOTE PREPARED BY THE MULTILATERAL FUND SECRETARIAT
(Letter dated 29 September 2008 on potential of co-financing)**

The Multilateral Fund for the Implementation of the Montreal Protocol was established in the year 1991 with the purpose of phasing out ozone depleting substances (ODS) in presently more than 140 countries. During its successful operation over the past 18 years, US \$2.3 billion in funding was approved, and the phase-out of more than 250,000 tonnes of annual consumption of such ODS was achieved. While it was known that there are strong links to the mitigation of climate change, the magnitude of achievements in this regard became clear only recently. The Multilateral Fund is probably the funding mechanism that has achieved the highest level of reduction in use and probable consequent reduction in emission of greenhouse gases, estimated to be in the order of 1,050 million tonnes of CO₂ equivalent per year.

This figure is based solely on the fact that many ODS are also powerful greenhouse gases, and their replacements might or might not have lower greenhouse warming potential (GWP). The difference between the GWP of the ODS and the replacement selected is the basis for the above given figure for CO₂ emission savings. The reductions have been achieved through the work of several implementing agencies of the Multilateral Fund (principally UNDP, UNEP UNIDO and World Bank), which were funded predominantly on a grant basis to carry out a wide range of projects. The work of the Multilateral Fund has now entered into a new phase dealing with substances of a shorter atmospheric lifetime. In this phase, while some ozone-friendly replacements are benign to the climate, others are similarly or sometimes even more potent greenhouse gases than the substances to be replaced; this affects the possible climate impact of the work of the Multilateral Fund significantly.

The total figure for annual consumption of such ODS in developing countries - being an approximation of future annual emissions - is in the order of 360,000 metric tonnes, representing 550 million tonnes of CO₂ equivalent per year. The Multilateral Fund will over time address the consumption of these substances up to their complete phase-out. Based on the mandate of the Fund, the alternatives have to be primarily chosen to have no effect on the ozone layer, taking into account their applicability and their costs. In particular cost considerations might therefore prove in many cases to be a significant barrier to the use of the most climate friendly technologies.

The substances of shorter atmospheric lifetime to be phased out now are often used for manufacturing insulation foam and to provide refrigeration. Almost all companies manufacturing such equipment in developing countries are directly supported in their transition to a non-ODS technology. Other typical activities facilitate the gradual non-availability of the substances, and the necessary upgrade of service technicians' capabilities and the facilities used. The track record of the Multilateral Fund is excellent for ensuring the broad success of such undertakings both on a project-by-project as well as on a country-wide basis.

Refrigeration and foam insulation is very closely linked to energy consumption. While foam insulation is particularly important for building heating efficiency, refrigeration is very prominent as a consumer of electricity in developing countries. The IEA estimated that through the use of energy efficient air conditioners, the electricity consumption in China's warmer provinces could be reduced by 260 TWh, leading to reduced emissions of CO₂ by up to 216 million tonnes until the year 2020¹. It seems sensible and relatively easily possible to combine the conversion of manufacturers to non-ODS

¹ Energy Efficiency of Air Conditioners in Developing Countries and the Role of CDM; Satoru Koizumi, International Energy Agency, November 2007

technology with technology upgrades such as improving the quality of insulation and the energy efficiency of refrigeration equipment. It appears that only limited additional resources would be required since the predominant part of project management, outreach and contractual costs have to be funded only once. Again, the Multilateral Fund has an excellent track record in controlling and optimizing these costs.

The funding provided to the Multilateral Fund is approved by the Meeting of the Parties of the Montreal Protocol. The Parties to the Protocol have indicated their strong desire to support mitigation of climate change through projects supported by that Fund, while at the same time there is no mandate to spend additional funds for mitigation of climate change. The Multilateral Fund is scheduled to be replenished in November of this year, with an assumed volume of between US \$350 to 500 million for the triennium 2009-2011.

Due to the prescriptive and sanction-supported character of the Montreal Protocol, as well as due to the support through this funding institution, the use of CFCs has been reduced from more than 260,000 tonnes to 30,000 tonnes (2007) and will be essentially eliminated in 2010 in a very broad user base. At the same time, import controls on ODS and other administrative measures have been established and are effectively supervised and verified. The group of substances now to be addressed is likely to enjoy a similar success, and it would be very unfortunate not to take the opportunity offered to maximize the positive climate impact by enhancing projects to enable these impacts to be addressed.

**REPLIES RECEIVED FROM THE INSTITUTIONS EXPRESSING INTEREST IN
DISCUSSING THE POTENTIAL FOR COLLABORATIVE PROJECTS TO ADDRESS BOTH
CLIMATE CHANGE AND OZONE DEPLETION**

Email received from the Inter-American Development Bank

7 October 2008

Dear Ms. Nolan,

In response to your letter, this is to express IDB's interest in discussing possible collaborative efforts to address climate change and ozone depletion with your Secretariat.

Sincerely yours,

Roberto Vellutini
Manager, Infrastructure and Environment
Inter-American Development Bank
(202) 623-2159
robertov@iadb.org



Global Environment Facility

UNEP/OzL.Pro/ExCom/56/2

Annex I

Monique Barbut
Chief Executive Officer
and Chairperson

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Washington, DC 20433 USA
Tel: 202.473.3202
Fax: 202.522.3240/3245
Email: mbarbut@TheGEF.org

October 15, 2008

Ms. Maria Nolan
Chief Officer
Multilateral Fund
1800 McGill College Ave
Montreal, Quebec
Canada

Dear Ms. Nolan:

I refer to your letter dated 29 September, 2008, in response to the request of the Executive Committee, and requesting an expression of interest for discussing the potential for collaborative projects to address both climate change and ozone depletion.

I am pleased to confirm that in principle of course we are open to such collaboration. Indeed as you know there are a limited but growing number of projects in our portfolios that are co-financed by both institutions. Starting with isolated initiatives such as the Thailand project approved in 2002, a cluster of projects that aim to accelerate the phase-out of CFC-based chillers with more energy-efficient CFC-free ones have recently been approved or will be considered soon for approval by the GEF Council (including in Brazil, Columbia, India, and the Philippines).

These projects dealt mostly with CFCs in the past, but as we move ahead with implementing the decisions of the 19th MOP, I anticipate that similar such projects will present themselves in the future to address the phase out of HCFCs. In fact, the GEF-4 strategy for climate change mitigation, and singularly energy efficiency, anticipated this movement of the international community by highlighting the potential for interventions targeting HCFCs in addition to energy efficiency benefits. I expect this trend to carry over into the next replenishment phase of the GEF.

I look forward to continuing dialogue with you on this issue, and I believe that we can work together to address some of the bottlenecks that were perceived in the past regarding the processing of jointly supported projects.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Barbut', is written over a horizontal line. The signature is stylized and cursive.