



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/56/12/Add.1
24 October 2008



ORIGINAL: ENGLISH

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

Addendum

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

This addendum is being issued to:

• **Replace:**

In para. 3:	US \$79,853,565	with	US \$79,923,440
4:	81	with	80
	US \$17,222,699	with	US \$15,366,544
	54.7	with	54.1
	16.8	with	15
5:	58	with	59
	39.2	with	39.9
	81.1	with	83

In Annex I: the rows for Bangladesh's HPMP preparation under UNDP and Total for Bangladesh. This change is being made because in its Article 7 data for 2007 submitted by Bangladesh, the country has HCFC-141b consumption, which makes it eligible for HPMP funding at a level of US \$150,000.

Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			C.E.
			Project	Support	Total	
Preparation of a HCFC phase-out management plan	UNDP		125,000	9,375	134,375	
	Total for Bangladesh		150,000	12,625	162,625	

- In line with document UNEP/OzL.Pro/ExCom/56/24/Add.1, **remove** the row for China sector plan for phase-out of CFC-11 in the foam sector (2009 annual programme) from the list of projects and activities recommended for blanket approval list (Annex I) and **add** the following row to the list of projects for individual consideration (Annex II):

Country	Project	Agency	Issue
Foam			
China	Sector plan for phase-out of CFC-11 in the foam sector	World Bank	Plan for using funding beyond 2010

- In Annex I, **replace** the row for Grand Total as follows:

Project Title	Agency	ODP (tonnes)	Funds recommended (US\$)			C.E.
			Project	Support	Total	
GRAND TOTAL		1891.7	14,222,435	1,144,109	15,366,544	

- **Add** the following paragraphs:

Bolivarian Republic of Venezuela: National CFC phase-out plan: 2009 work programme (UNIDO)

13. UNIDO, as lead implementing agency, had submitted to the 56th Meeting a request for approval of the 4th tranche of the national CFC phase-out plan. The submission included two verification reports for 2006 and 2007, a report on the implementation of the 2006 and 2007 annual work plans, and a proposed annual plan for 2009. The Secretariat reviewed the documentation and informed UNIDO that the verification report of the Bolivarian Republic of Venezuela (Venezuela) was not acceptable in the present form by the Secretariat because the crosschecking of import and export data had not been performed.

14. While reviewing the verification, the Secretariat noticed that the 2006 CFC consumption reported in the documentation was by 980.6 ODP tonnes above the compliance target both under the Montreal Protocol and under the Agreement with the Executive Committee. Upon request the Ozone Secretariat informed the Fund Secretariat that the Article 7 data submission of Venezuela was accompanied by a document stating, *inter alia*, that 985.1 metric tonnes of CFC-12 had been produced in 2006 to satisfy the needs of other Article 5 Parties in the region during the period 2007-2009.

15. It is recalled document UNEP/OzL.Pro/ExCom/51/37 regarding the submission of an earlier tranche of the same project reported that the “Eighteenth Meeting of the Parties discussed the issue of the treatment of stockpiled ozone-depleting substances relative to compliance, and recognized in decision XVIII/17 that some Parties that had exceeded the allowed level of production or consumption of a particular ODS in a given year have, in some cases, explained that their excess production or consumption was due to the fact that the ODS production in that year had been stockpiled for domestic feedstock use or export for that use in a future year. While it is up to the Parties to interpret the Protocol, the decision of the Meeting of the Parties might imply that the level of production or consumption will continue to be defined on an annual basis, and that any consumption or production in excess of the Protocol's prescribed levels for that year that is explained by the Party concerned as production for domestic feedstock or export for feedstock in a future year would not be subject to the non-compliance procedure of the Protocol unless so directed by the Twenty-first Meeting of the Parties following its review of the issue. Prior to this time, decision XVIII/17 requires the Ozone Secretariat to present information on such cases to each meeting of the Implementation Committee in an information-only paper, as well as its annual Article 7 data report to the Meeting of the Parties”.

16. Venezuela had had a stockpile of 180.8 ODP tonnes of CFC-11 at the end of 2005, which was used as feedstock for the production of CFC-12 in 2006. With this stockpile, the consumption of the country had been above the limits specified in the agreement of the national phase-out plan for Venezuela for 2005. The Executive Committee approved in its decision 51/32 the third tranche of funds for the

national phase-out plan for Venezuela on the understanding that CFC production in 2005, which included production for domestic feedstock use in a future year, had resulted in a calculated CFC consumption level in excess of the limits set under the agreement, that CFC feedstock use in a future year of an amount greater than the excess quantity had been verified before approval; that the approval should not constitute a precedent for any future submissions of similar cases to the Executive Committee, and that this should not prejudice any decision of the Meetings of the Parties on compliance issues.

17. The Secretariat noted from the annual reports provided by UNIDO, and from the data of the initial verification reports, that Venezuela appeared to have exported 114.4 ODP tonnes in the year 2007. The Secretariat had received for the 52nd and 54th Meetings of the Executive Committee verifications of CFC production in the years 2006 and 2007 in Venezuela; this includes a verification of the available CFC stockpiles at the CFC manufacturer. At the end of 2007, the verified stockpiles were 697.0 ODP tonnes. Having exported 114.4 ODP tonnes in 2007 and having 697.0 ODP tonnes left at the end of 2007, the maximum exports to satisfy the needs of other Article 5 Parties in the region in the years 2007 to 2009 appear to be 811.4 ODP tonnes (697.0 ODP tonnes + 114.4 ODP tonnes).

18. There appears to be a discrepancy between the tonnage for future export reported as shown in paragraph 14, and the CFC actually available for export; the difference is 173.7 ODP tonnes (985.1 ODP tonnes - 811.4 ODP tonnes). UNIDO was informed of this discrepancy, and of the consequence that this could indicate non-compliance with the agreement target and, possibly, with the consumption control measures of the Montreal Protocol. The Secretariat advised UNIDO that in cases of a potential non-compliance with the Montreal Protocol control measures, the Executive Committee might not be in a position to discuss the submission until the Implementation Committee had considered the case; and that the matter could be resolved in the most expeditious manner by seeking advice from the implementation committee before the Twentieth Meeting of the Parties.

19. Subsequently, UNIDO withdrew the submission, and advised the Secretariat that “following your advice and in agreement with the Government of Venezuela, the case will be submitted for consideration to the next Implementation Committee”. In a second e-mail shortly before the final deadline for submission of documentation to the Members of the Executive Committee, UNIDO advised that they had contacted the Ozone Secretariat and were informed by the Executive Secretary that the Ozone Secretariat found the country in full compliance with all its obligations under the Montreal Protocol. UNIDO, on behalf of the Government, requested the Secretariat to reinstate the submission. It should be noted that neither the information requested under decision XVIII/17 nor the Article 7 data reporting provides data related to ODS stockpiles.

20. At the writing of this document, the Secretariat has not received any verified information explaining the difference of 173.7 ODP tonnes mentioned in paragraph 18 above. On the basis of the information presently available, the Fund Secretariat cannot establish Venezuela’s compliance with the targets in the agreement for the year 2006. This could also have implications on the compliance status of the Country under the Montreal Protocol for the year 2006, since the targets are identical.

21. At the time of issuing this addendum, the Secretariat has not received from UNIDO the requested information regarding verification and consequently could not complete its review of the submission. Nevertheless, the Secretariat wishes to bring to the attention of the Executive Committee the evolving situation on Venezuela, so that the Executive Committee could provide direction to the Fund Secretariat and UNIDO, as appropriate.

Management of unspent fund balance after complete ODS phase-out under the multi-year agreement (MYAs)

22. Three projects submitted to the 56th Meeting reported unspent fund balance after completing ODS phase out under the multiyear agreements and the related information from the three projects is shown in the table below:

Project	Unspent balance (US\$ millions)	Proposed extension	Implementing Agency
2009 work program of the China foam sector plan	6.8	2010-2012	World Bank
2009 work program of the China halon sector plan	12.2	2008-2015	World Bank
2009 work program of the China CFC production sector plan	8.5	2009-2013	World Bank

23. The three submissions contain different levels of details on plans to allocate these balances. In the case of the foam sector plan, there was a broad break down of the remaining funds over 4 activities. For the halon sector plan, the World Bank represented the proposal which had been presented to the 53rd Meeting of the Executive Committee on how to use unspent funds. In the case of the CFC production sector plan, the agreement for the sector plan, specifically in its second footnote would allow China to use the remaining fund balance in the year 2010; however, it remains to be clarified whether this would allow China to continue using the remaining fund balance beyond 2010.

24. In spite of the minor differences in each of the three agreements a common issue exists for all of them, namely, the way to manage the unspent fund balance after ODS phase-out has been achieved as defined in the multi-year agreements. In its reply to the queries from the Fund Secretariat, the World Bank considers it difficult both administratively and legally to continue providing management responsibilities for the halon sector plan beyond 2012, although the extension anticipated by China would continue to 2015. The World Bank also argued that under the performance based agreement, China should receive the full funding as long as the country meets its ODS phase-out commitments undertaken under such agreements.

25. By monitoring the progress of implementation of the MYAs, the Secretariat observes that there is a possibility that the same situation could apply to quite a number of ongoing multi-year agreements. There are a number of issues which the Secretariat wishes to bring to the attention of the Executive Committee, with regard to the management of the unspent balance beyond the completion of ODS phase-out.

26. The first issue is whether the country will remain eligible to receiving the unspent fund balance beyond the completion of the multiyear agreements when the country has achieved the ODS phase-out targets as stipulated in the agreements. It is to be noted that the performance based funding modality is based on an exchange of commitments where the Executive Committee commits to a total level of funding to be released over a number of years for commitment by the country concerned to achieve the ODS reductions and eventual phase-out.

27. The second issue concerns the necessary monitoring and reporting requirements, on the assumption that the country could continue receiving the unspent balance beyond the completion of the ODS phase out.

28. The third issue refers to the continued responsibilities of the implementing agency in terms of financial oversight and performance verification beyond the completion of the phase-out. If such responsibility is required and the implementing agency concerned cannot continue exercising such responsibility for administrative and legal reasons, such as in the case of the World Bank for China halon sector plan, other options may need to be considered. One of such option could be to transfer such responsibilities to another implementing agency that would be in the position to carry them out. In this

case, provision of support cost to the implementing agency concerned for carrying out such responsibilities needs to be considered.
