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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**COST STRUCTURE FOR DETERMINING FUNDING LEVELS FOR PREPARATION OF
HCFC INVESTMENT AND ASSOCIATED ACTIVITIES (DECISION 55/13(d))**

1. This document contains a cost structure for determining the funding levels for the preparation of HCFC investment and associated activities as mandated by decision 55/13 (d) for consideration at the 56th Meeting.

Scope and background

2. The Executive Committee at its 55th Meeting discussed and agreed on the elements of a cost structure for funding the preparation of an overall HPMP in line with decision 54/39. These discussions had been based on document 55/17, Annex IV, where the total funding was divided into several components that made up an HPMP as follows:

- (a) Assistance for policy and legislation, e.g. to develop new or extend existing legislation regarding HCFC, products containing HCFC, quotas, and licenses;
- (b) Survey of HCFC use and analysis of data;
- (c) Development and finalization of the HPMP including its stage one to address the 2013 and 2015 control measures, the latter being akin to a TPMP or a refrigeration service sector plan; and
- (d) Development of investment activities for the manufacturing sectors for stage one of an HPMP, if such activities are necessary.

3. At the same meeting, the Executive Committee discussed a funding structure for HPMP preparation which covered only elements (a) to (c) of the paragraph above and approved funding for several countries on this basis. With regard to the component on development of investment activities for countries with manufacturing facilities, the Committee requested the Secretariat in decision 55/13(d) to, *inter alia*, prepare a cost structure for determining the funding levels for the preparation of HCFC investment and associated activities for the 56th Meeting. In this regard, it also requested the Secretariat to seek input from the bilateral and implementing agencies on their experience with CFC sector plans and national phase-out plans.

4. The funding structure agreed by the Executive Committee for HPMP preparation at the 55th Meeting was determined based on the countries' HCFC consumption for 2006, as summarized in the table below:

GROUP ACCORDING TO CONSUMPTION PATTERN	FUNDING FOR ABOVE COMPONENTS (a) TO (c)
Countries with zero consumption of HCFC	US \$30,000
Countries with consumption only of HCFC-22, or consumption below 6 ODP tonnes/year	US \$85,000
Countries with medium consumption, between 6 ODP tonnes/year and 100 ODP tonnes/year	US \$150,000
Countries with high consumption, between 100 ODP tonnes/year and 1,200 ODP tonnes/year	US \$195,000
Countries with a consumption above 1,200 ODP tonnes/year (China only)	Individual consideration

5. In response to the Executive Committee's request as set out in decision 55/13(d), the Secretariat circulated a concept note to the implementing and relevant bilateral agencies regarding its approach to determining the cost structure for investment project preparation. This was also discussed with the agencies during a meeting with the Secretariat where all agencies were present which had provided comments on the approach or submitted related activities.

6. This document describes a funding structure for the preparation of investment activities described in paragraph 1 (d), and thus completes the funding structure for the development of an HPMP and preparation of activities forming its stage one as described in decision 54/39 (c).

7. As per decision 53/37 (d), the existing policies and guidelines of the Multilateral Fund for funding the phase-out of ODS other than HCFCs are applicable to the funding of HCFC phase-out unless otherwise decided by the Executive Committee. Therefore, the existing guidelines on investment project preparation continue to apply until these are superseded by newer decisions.

Funding structure

8. The Secretariat had, during the preparation for the 55th Meeting assessed previously approved funding for the preparation of CFC phase-out projects, umbrella projects and sector and national plans as contained in Annex IV of document UNEP/OzL.Pro/ExCom/55/17. It reiterated that in the past, preparation funding was provided in the order of US \$30,000 for stand-alone projects, US \$80,000 for umbrella projects and US \$150,000 for sector plans. The Secretariat recognised an increase in some elements such as travel costs, and also took into account the funds approved for surveys in the recent approvals for HPMP project preparation, and concluded that these could lead to some reduction of effort in the project preparation for investment projects.

9. Based on the HCFC surveys completed for 13 countries and document UNEP/OzL.Pro/ExCom/55/47 (revised analysis of relevant cost considerations surrounding the financing of HCFC phase-out), the Secretariat proposes to define, for the time being, five different manufacturing sectors:

- (a) Refrigeration (including chillers);
- (b) Air-to-air air conditioning systems;
- (c) Polyurethane rigid foam;
- (d) XPS foam; and
- (e) Solvent uses in manufacturing.

10. On the basis of these sectors, the Secretariat developed the following structure for the funding of investment activities, taking into account previous levels of project preparation funding for relevant projects, umbrella projects and sector plans as well as decisions on preparation funding for the HPMP during the 55th Meeting. The maximum preparation funding for the manufacturing sectors for the preparation of an HPMP stage one will be determined by the total number of enterprises to be converted in the relevant sector under HPMP stage one, excluding those enterprises with demonstration projects that may be chosen by the Executive Committee according to decision 55/43 paragraphs (b) to (f):

- (a) One enterprise to be converted in a manufacturing sector: US \$30,000;
- (b) Two enterprises to be converted in a manufacturing sector: US \$60,000;
- (c) Three to fourteen enterprises to be converted in a manufacturing sector: US \$80,000; and
- (d) Fifteen and more enterprises to be converted in a manufacturing sector: US \$150,000; and

- (e) The maximum preparation funding for sector plans with performance targets beyond the 2015 control measures can be determined on a case-by-case basis, taking into account the levels established in paragraphs (a) to (d) above.

11. For demonstration projects according to decision 55/43 paragraphs (b) to (f), the request for preparation funds should include specification of country, sector, brief description of the project, approximate phase-out to be achieved, reference to the relevant sub-paragraph of decision 55/43, and a description of compelling reasons as to why the Executive Committee should choose this project as described in decision 55/43 (b). Funding could be provided up to the following levels:

- (a) Stand alone demonstration projects (55/43) in a manufacturing sector, per project: US \$30,000;
- (b) Umbrella demonstration projects (55/43) with three to fourteen beneficiaries in one manufacturing sector, per umbrella project: US \$80,000; and
- (c) Demonstration projects addressing fifteen or more beneficiaries cannot receive preparation funding for demonstration projects related to decision 55/43, as projects of this size should be part of the HPMP submission preparation.

12. In its decision 55/13(d), the Executive Committee mentioned also activities associated with investment activities. Such activities have been traditionally directly associated with the preparation of national and sector plans and their investment components as part of one approval, and their preparation is therefore already included in the cost of the funding structure presented in paragraph 10.

Recommendation

13. In light of the analysis above, the Executive Committee may wish to:

- (a) Note the cost structure for determining funding levels for preparation of HPMP investment and associated activities as described in document 56/13;
- (b) Decide that the maximum preparation funding for the manufacturing sectors for the preparation of an HPMP stage one will be determined by the total number of enterprises to be converted in the relevant sector under HPMP stage one, excluding those enterprises with demonstration projects that may be chosen by the Executive Committee according to decision 55/43 paragraphs (b) to (f):
 - (i) One enterprise to be converted in a manufacturing sector: US \$30,000;
 - (ii) Two enterprises to be converted in a manufacturing sector: US \$60,000;
 - (iii) Three to fourteen enterprises to be converted in a manufacturing sector: US \$80,000; and
 - (iv) Fifteen and more enterprises to be converted in a manufacturing sector: US \$150,000; and
 - (v) The maximum preparation funding for sector plans with performance targets beyond the 2015 control measures can be determined on a case-by-case basis, taking into account the levels established in paragraphs (i) to (iv) above.

- (c) Decide that, for demonstration projects, according to decision 55/43 paragraphs (b) to (f), the request for preparation funds should include specification of country, sector, brief description of the project, approximate phase-out to be achieved, reference to the relevant sub-paragraph of decision 55/43, and a description of compelling reasons as to why the Executive Committee should choose this project as described in decision 55/43 (b). Funding could be provided up to the following levels:
- (i) Stand alone demonstration projects (55/43) in a manufacturing sector, per project: US \$30,000;
 - (ii) Umbrella demonstration projects (55/43) with three to fourteen beneficiaries in one manufacturing sector, per umbrella project: US \$80,000; and
 - (iii) Projects addressing fifteen or more beneficiaries cannot receive preparation funding for demonstration projects related to decision 55/43.
- (d) Request the Secretariat to apply this cost structure when assessing the eligibility for funding of the different elements of the HPMP preparation, and to propose adjustments to the Executive Committee when necessary.
