



**United Nations
Environment
Programme**



Distr.
GENERAL

UNEP/OzL.Pro/ExCom/57/66
26 February 2009

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-seventh Meeting
Montreal, 30 March - 3 April 2009

OPERATION OF THE EXECUTIVE COMMITTEE (DECISION 54/43)

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Background

1. For the benefit of the Executive Committee, in particular new members that joined the Committee in 2009, this paper first presents a brief summary of the findings and conclusions from the previous papers prepared on the operation of the Executive Committee. The paper continues with an analysis of the Executive Committee's workload over the next three years, and concludes with a set of recommendations for the Executive Committee's consideration.

2. The reorganization of the work of the Executive Committee has been discussed since the 41st Meeting of the Committee. At the Executive Committee's request, the Secretariat has prepared documents dealing with the terms of reference of the Executive Committee, its workload, the reorganization of the annual business cycle, the introduction of an intersessional project approval procedure, and the financial implications of changing the Committee's operations.

3. The first document, presented at the 44th Meeting, examined the option of reducing the number of meetings from three to two, and of establishing an intersessional project approval procedure (UNEP/OzL.Pro/ExCom/44/69). From a business cycle point of view, the analysis concluded that if the second meeting were to be removed, most of the activities currently on the agenda of that meeting could be rescheduled without too much disruption of the work of the Executive Committee. As explained in document UNEP/OzL.Pro/ExCom/44/69, a two-meeting format, in mid May for the first meeting and early November for the second meeting, would result in the rearrangement of the annual business cycle as follows:

- (a) The approval of the business plans for the following year should take place at the second meeting instead of the current first meeting (March), to enable the agencies to start implementing their business plans from the 1 January of the following year;
- (b) The approval of the work programmes would also need to take place at the same meeting since the majority of them are project preparations for developing the business plans;
- (c) The assessment of the status/prospect of compliance would be moved to the second meeting to provide the basis for business planning;
- (d) Due to the unavailability of financial data in advance of the May meeting, the operational part of the progress reports would need to be dealt with at the first meeting while the financial part of the progress report would be submitted to the second meeting to be reviewed together with other finance related items such as the accounts of the Multilateral Fund;
- (e) Additional effort would be needed by the bilateral and implementing agencies to plan better their submission of project proposals.

4. It should be noted, however, that redistribution of the work of the current three meetings to two meetings a year would result in an increase in the number of phase-out projects and activities to be approved at each meeting. To allow the Secretariat to carefully review the increased number of project proposals, deadlines for submission by bilateral and implementing agencies would need to be reviewed (i.e., projects and activities would need to be received by the Secretariat earlier than the current 14 week and 8 week deadlines). This issue, which has not been addressed in the previous papers considered by the Executive Committee, could be agreed between the Secretariat and the bilateral and implementing agencies if the Committee decides to hold only two meetings per year. Illustrative agendas with a two-meeting per year format were included in the papers submitted to the 44th and 54th Meetings.

Slightly revised illustrative agendas to include relevant decisions adopted by the Executive Committee since its 54th Meeting are attached to this paper as Annex I.

5. With regard to intersessional approval, the urgency for establishing such a process has diminished since the 44th Meeting. This is because the Executive Committee has approved sectoral and national phase-out projects addressing the 2010 compliance obligations in almost all Article 5 countries.¹ It is expected that all project proposals addressing the 2010 Protocol's compliance targets will be considered by the Executive Committee in 2009. The next compliance obligations for Article 5 countries will be in 2013 (freeze in HCFC consumption and production) and 2015 (complete phase-out of methyl bromide and TCA and 10 per cent reduction in the HCFC consumption and production baselines). By that time, it is expected that phase-out activities in all Article 5 countries covering all ODS (including HCFCs) will have been approved, making an intersessional approval process less necessary.

6. Pursuant to a request for further information by the members of the Executive Committee at the 44th Meeting (decision 44/57), a document compiling Executive Committee members' views, and presenting estimated financial implications for various scenarios was discussed at the 45th Meeting (UNEP/OzL.Pro/ExCom/45/48). The paper analyzed major expenditures incurred during the meetings of the Executive Committee using actual cost data from meetings held in 2003 and 2004. The major expenditures incurred for each meeting of the Executive Committee were estimated at US \$292,500, including travel and DSA for three delegates from each of the seven Article 5 country members. In addition there are some travel costs for about 11 participants from non-Article 5 members and implementing agencies amounting to US \$37,000. The Executive Committee agreed that the savings generated by reducing the number of meetings were not sufficient to change the way the Committee worked, and decided to continue to meet three times a year (decision 45/56). Based on actual expenditures incurred in the first meeting in 2008, the cost of the meeting of the Executive Committee has increased by only US \$10,000.

7. At its 50th Meeting, the Executive Committee considered an updated assessment of the Executive Committee's workload (UNEP/OzL.Pro/ExCom/50/56), and discussed the need for the Meeting of the Parties to amend the Executive Committee's terms of reference. The Committee decided, *inter alia*, to request its Chair to write to the Parties asking for consideration to be given at their 19th Meeting to change the terms of reference of the Executive Committee to grant it the flexibility to modify the number of times it meets if needed, and to revisit the issue of the number of meetings at a subsequent Meeting in the light of the guidance given by the Parties (decision 50/41). The Parties, at their 19th Meeting, agreed to amend paragraph 8 of the terms of reference of the Executive Committee to allow the Committee to move to two meetings if it so decides.

8. At its 54th Meeting, the Executive Committee considered a paper analysing implications to schedule change, and examining the workload of the Executive Committee based on existing programmes and complex issues linked to funding guidelines for HCFC phase-out in accordance with the adjusted schedule agreed by the Parties at their 19th Meeting (UNEP/OzL.Pro/ExCom/54/57). An option was also presented for holding an intersessional special meeting to discuss policy issues, particularly in respect to HCFCs, in the event that the Committee decides on a two-meeting per year format. The majority of members felt that it was not a good time to reduce the frequency of meetings. The Executive Committee therefore decided to maintain the *status quo* of holding three meetings per year, but to place the issue on

¹ National phase-out plans for Angola, Barbados, Botswana, Equatorial Guinea, Ethiopia, Haiti, Iraq, Sierra Leone, Somalia and Timor Leste have not yet been submitted for consideration by the Executive Committee. Phase-out plans for Botswana, Equatorial Guinea, and Sierra Leone are expected to be considered at the 57th Meeting.

the agenda for consideration at its 57th Meeting (decision 54/43). The Secretariat has prepared this paper in response to decision 54/43.

9. Although the financial implication for reducing the duration of the meetings from five to four days was presented in document UNEP/OzL.Pro/ExCom/45/48 (i.e., US \$15,700) could be realized if a 4-day meeting format is adopted, the Executive Committee had not fully consider this option. This option is being included because prior to 2008, during which new policy on HCFCs was discussed, the Committee was able to complete its work by Thursday lunch time. The main impacts of this option would be the need to possibly establish a larger number of *ad hoc* working groups to address specific issues, and changes to the procedure for adoption of the report (based on expenditures incurred in 2008, a 4-day meeting will result in savings of US \$20,000).

10. As briefly outlined above, due consideration has been given to all issues presented in the various papers, with full discussion at the meetings during which the papers were considered. The main question that remains to be answered is whether the future workload of the Executive Committee could be managed in two meetings instead of three.

Future workload of the Executive Committee

11. The 2009-2010 period will be one of transition for the Multilateral Fund, characterized by the completion of sectoral and national plans to achieve the complete phase-out of CFCs, halons and CTC in all Article 5 countries, the continuation of phase-out plans to meet the complete phase-out of methyl bromide by 2015, and the initiation of national phase-out plans to meet the 2013 and 2015 HCFC commitments agreed by the Parties at their 19th Meeting. During this period, the Executive Committee will also need to address a number of complex issues regarding funding for HCFC phase-out as well as policy on funding for institutional strengthening post 2010, destruction of unwanted ODS, and a facility for additional income to the Fund from loans and other sources.

Phase-out of ODS excluding HCFCs: on-going activities and projects

12. In addition to the regular annual work on status of contributions and disbursements, status of resources and planning, business plans and programme implementation (including monitoring and evaluation), it is expected that during 2009 the Executive Committee will consider the following projects for phasing out of ODS excluding HCFCs:

- (a) New national phase-out plans in nine low-volume consuming (LVC) countries and one in a non-LVC country;
- (b) The final tranches of national and sectoral ODS phase-out plans (mainly addressing CFC consumption in the refrigeration servicing sector) in 84 LVC and non-LVC countries;
- (c) The final tranches of CFC production sector multi-year projects in three countries, and for CTC consumption and production in one country;
- (d) New plans to achieve the complete phase-out of methyl bromide in 5 to 10 countries;
- (e) About 70 requests for renewal of institutional strengthening projects;
- (f) Work programme activities, mostly related to project preparation;
- (g) Monitoring compliance and ongoing projects and agreements for all countries;

- (h) Assessing project completion and financial closure;
- (i) Tranches of a methyl bromide production sector phase-out plan in one country as well as tranches of methyl bromide phase-out plans in five countries will be approved for the 2010-2015 period.

13. As the majority of the phase-out projects and activities to be considered in 2009 relate to tranches of approved multi-year projects, it is not expected that the workload of the Executive Committee will increase, as this type of activity is usually recommended by the Secretariat for blanket approval. However, the Secretariat's workload would increase, as all potential issues arising during the review of these projects would need to be resolved before they can be considered by the Committee.

Phase-out of HCFCs: new policies, guidelines and projects

14. At their 19th Meeting, the Parties agreed to accelerate the phase-out of HCFCs, and gave a mandate to the Executive Committee to develop funding guidelines for accelerating the phase-out of HCFCs in Article 5 countries in accordance with the adjusted schedule. Since then, the Secretariat has produced five substantive policy papers and the Executive Committee has adopted relevant decisions to address the mandate given by the Parties as follows:

- (a) Based on a paper on options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities (UNEP/OzL.Pro/ExCom/53/60) submitted to the 53rd Meeting, the Committee adopted some broad principles for funding HCFC phase-out activities (decision 53/37);
- (b) At its 54th Meeting, the Executive Committee adopted guidelines for the preparation and implementation of HCFC phase-out management plans (HPMP) by Article 5 countries (decision 54/39). At the same Meeting, the Committee also considered a preliminary discussion paper providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out, and requested that a revised version be submitted to its 55th Meeting;
- (c) A revised paper providing an analysis of relevant cost considerations surrounding the financing of HCFC phase-out (UNEP/OzL.Pro/ExCom/55/47) was considered by the Committee at its 55th Meeting. Based on the information provided in the paper, the Executive Committee invited bilateral and implementing agencies to submit a limited number of HCFC phase-out projects on a case-by-case basis (decision 55/43). A number of policy issues were raised in the paper that will need to be addressed by the Committee;
- (d) At its 55th and 56th Meetings, the Executive Committee commenced its deliberation on the HCFC production sector on the basis of the document on further elaboration and analysis of issues pertaining to the phase-out of the HCFC production sector (UNEP/OzL.Pro/ExCom/55/45) submitted to that Meeting. Deliberations on this matter will continue at the 57th and, possibly, subsequent meetings.

15. Although a number of relevant decisions and guidelines for phasing out HCFCs have been adopted by the Executive Committee since the adoption of decision XIX/6 by the Parties, there remains a number of difficult issues that would require extended discussions and negotiation by members of the Executive Committee to reach agreement. These include:

- (a) Second-stage conversions (i.e., funding projects that were converted from CFC to HCFC

technologies);

- (b) Determination of cut-off dates for installation of HCFC-based manufacturing equipment after which incremental costs for the conversion of such equipment would not be eligible for funding, as well as determination of cut-off dates for the production sector;
- (c) Prioritization of HCFC phase-out technologies to minimize other impacts on the environment, including on climate, as originally envisaged in decision XIX/6²;
- (d) Co-financing from suitable and compatible funding mechanisms as sources for timely top-up of Multilateral Fund ozone funding in order to achieve additional climate benefits;
- (e) Whether or not to retire, prematurely, functioning equipment once the 2013 and 2015 compliance targets have been addressed;
- (f) Decisions on policies for the calculation of incremental operating costs or savings from HCFC conversion projects, and the establishment of cost-effectiveness thresholds in 2010;
- (g) Finalizing the work on the HCFC production sector, including, *inter alia*, funding for swing plants; incentives for early phase-out of HCFC production and/or disincentives for HCFC production that would be phased out later; a robust monitoring system, similar to that used for the verification of the CTC phase-out, to monitor facilities that received funding but continued to produce HCFCs for feedstock uses; an analysis of costs for production closure versus conversion to HFC-32 production for feedstock.

16. Additionally, based on the guidelines for preparation of HPMPs adopted at the 54th Meeting, the Executive Committee has approved funding for the preparation of HPMPs in 115 Article 5 countries and a few demonstration projects on HCFC alternative technologies. It is expected that in 2009 the Executive Committee will consider requests for preparation of HPMPs in the remaining Article 5 countries.

17. The workload of the Executive Committee and its Secretariat will increase during this period. The new policies and guidelines that the Executive Committee will need to adopt to allow for the submission of HCFC phase-out activities, and the complexity thereof, may require lengthy discussions by its members before an agreement is reached. Furthermore, while the Committee has authorized the Secretariat to recommend a large number of proposals where all issues have been resolved for blanket approval (i.e., no need for the Committee to discuss the proposal unless it so desires), the Multilateral Fund has no experience yet in the review and submission of HPMPs. Therefore, over the next few years, the Executive Committee will need to discuss and approve HPMPs on a case-by-case basis (i.e., submission for individual consideration).

Other policy issues to be addressed by the Executive Committee

18. Throughout the history of the Multilateral Fund, the Executive Committee has adopted policies and guidelines that arise mainly from the review of phase-out activities on a continuous basis. These

² At its 55th Meeting, the Executive Committee discussed the functional unit approach to phasing out HCFC consumption as a basis for the prioritization of HCFC phase-out technologies to minimize other impacts on the environment, including on the climate as originally envisaged in decision XIX/6. The Committee requested the Secretariat to continue with its evaluation in order to report in a more detailed fashion at a subsequent Meeting (decision 55/43 (h)).

activities will continue in the future. Additionally, in the near future the Committee will need to adopt policies on the following issues:

- (a) Support for institutional strengthening projects after 2010. A policy paper on this issues has been submitted to the 57th Meeting;
- (b) Destruction of unwanted ODS. A study on financing the destruction of unwanted ODS is being prepared by the World Bank. The results of the study will be submitted to the 59th Meeting; and
- (c) A facility for additional income from loans and other sources. A policy paper on this issue has been submitted to the 57th Meeting.

19. It is foreseeable that lengthy discussions will be held by Executive Committee members on the above issues before adopting any decision. Consideration of these policy issues will increase the workload of the Executive Committee, including the Secretariat.

Conclusions

20. From the thorough analysis and discussions that the Executive Committee has undertaken on the reorganization of its work, it can be concluded that the main limiting factor for moving from three meetings to two meetings is the workload of the Executive Committee.

21. Over at least the next three years, the workload of the Executive Committee is likely to remain high in view of the issues to be addressed by it (i.e., consideration of all aspects of decision XIX/6 and subsequent adoption of policies and guidelines, together with the ongoing work under current implementation). At the end of this period, HCFC baselines for compliance by Article 5 countries would be established, most or all outstanding issues on HCFCs would be addressed and a relatively large number of HPMPs would have been submitted. During this period, the Executive Committee could organize its work as follows:

- (a) Maintain the *status quo* of holding meetings three times a year, which will ensure smooth and well-paced proceedings, and adequate time to allow adoption of new policies and guidelines on HCFCs. This option would not provide a relief for the high frequency of travel by Executive Committee members or from the difficulty in scheduling with other international environment meetings;
- (b) Hold two regular meetings with fixed schedules (mid May and early November) and maintain the possibility of having a specialised third meeting in the middle of the year if needed. This option could increase the number of *ad hoc* working groups needed to address complex issues or reaching agreement on projects with outstanding issues, and thereby avoiding their deferral to a future meeting. It also has the inconvenience of redesigning the agenda for two meetings from three meetings as well the need to split annual progress into a biannual one;
- (c) Maintain the *status quo* of holding three meetings a year but reducing the duration of the meetings from five to four days (i.e., from Tuesday to Friday). This option could increase the number of *ad hoc* working groups and changes to the procedure for adoption of the final report of the meetings. On this issue, the Secretariat believes that the draft text of the decisions themselves would be ready in time for formal adoption on the 4th day of the Meeting, but the narrative would need longer to be finalized and translated. The

Executive Committee could consider leaving the burden of approving the narrative to the Secretariat in consultation with the Chair of the Committee.

Recommendation

22. The Executive Committee might wish to consider:
- (a) Maintaining the status quo of holding three meetings a year;
 - (b) From 2010, holding two regular meetings with fixed schedules and maintain the possibility of having a specialised third meeting in the middle of the year if needed, and request the Secretariat to arrange such a meeting accordingly; and
 - (c) From the 58th Meeting and for a trial period to be decided by the Committee, maintaining the *status quo* of meeting three times a year on a four-day format and requesting the Secretariat to arrange the meetings accordingly.

Annex I
ILLUSTRATIVE AGENDAS

Illustrative agenda (1st Meeting of the year)

No.	Item	Annotations (where necessary)
1.	Opening of the meeting	
2.	Organizational matters:	
	(a) Adoption of the agenda	
	(b) Organization of work	
3.	Secretariat activities.	
4.	Status of contributions and disbursements	
5.	Status of resources and planning:	
	(a) Report on balances returned from cancelled and completed projects	
	(b) Update on the implementation of the current year business plan and annual tranche submission delays	
	(c) Status of implementation of delayed projects and prospects of Article 5 countries in achieving compliance	
6.	Programme implementation:	
	(a) Evaluation reports from SMEO	As per annual work programme
	(b) Progress reports as at 31 December of previous year (operational part):	Due to the unavailability of finance data, reporting limited to operational activities
	(i) Consolidate progress report	
	(ii) Bilateral progress report	
	(iii) UNDP	
	(iv) UNEP	
	(v) UNIDO	
	(vi) World Bank	
	(c) Report on implementation of approved projects with specific reporting requirements	
7.	Project proposals:	
	(a) Overview of issues identified during project review	
	(b) Bilateral cooperation	Cannot predict number of projects
	(c) Work programme amendments:	Cannot predict number of projects. Most activities expected to be for renewals of institutional strengthening projects, and a few technical assistance activities
	(i) UNDP	
	(ii) UNEP	
	(iii) UNIDO	
	(iv) World Bank	
	(d) Investment projects: - MYAs on-going - Stand-alone projects (pilot, demonstration, investment) - HPMPs	Cannot predict number of projects. The majority of the projects are expected to be HPMPs
8.	Report of the production sector sub-group	
9.	Policy issues (papers)	Cannot predict
10.	Other matters	
11.	Adoption of the report	
12.	Closure of the meeting	

Illustrative agenda (2nd Meeting of the year)

No.	Item	Annotations (where necessary)
1.	Opening of the meeting	
2.	Organizational matters:	
	(a) Adoption of the agenda	
	(b) Organization of work	
3.	Secretariat activities.	
4.	Status of contributions and disbursements	
5.	Status of resources and planning for the current year business plans:	
	(a) Report on balances returned from cancelled and completed projects	
	(b) Update on the implementation of the current year business plan and annual tranche submission delays	Provide an update of the implementation of the current year business plans after the 1 st Meeting of the year
	(c) Status of implementation of delayed projects and prospects of Article 5 countries in achieving compliance	
6.	Programme implementation:	
	(a) Consolidated project completion reports	
	(b) Evaluation reports from SMEO	As per the annual work programme
	(c) Draft monitoring and evaluation work programme of following year	
	(d) Report on implementation of approved projects with specific reporting requirements	
	(e) Evaluation of the business plans of the previous year	
7.	Financial matters:	
	(a) Accounts of the Multilateral Fund for the previous year	
	(b) Reconciliation of accounts	
	(c) Financial part of the progress reports as at 31 December previous year	
	(d) Proposed Secretariat budget	
8.	Project proposals:	
	(a) Overview of issues identified during project review	
	(b) Bilateral cooperation	Cannot predict number of projects
	(c) Amendments to work programmes - current year	Cannot predict number of projects. Includes renewals of institutional strengthening project
	(d) Core unit costs	
	(e) CAP budget	
	(f) Investment projects: - MYAs on-going - Stand-alone projects (pilot, demonstration, investment) - HPMPs	Cannot predict number of projects.
9.	Report of the production sector sub-subgroup	
10.	Policy issues (papers)	Cannot predict
11.	Business planning for the following year:	
	(a) Financial planning for the triennium	
	(b) Updated model rolling three-year phase-out plan (rolling forward by one year)	
	(c) The Multilateral Fund business plan in the new year	
	(d) Business plans of the implementing agencies and associated work programme activities:	
	(i) Bilateral agencies	
	(ii) UNDP	
	(iii) UNEP	
	(iv) UNIDO	
	(v) World Bank	
12.	Report of the Executive Committee to the Meeting of the Parties	
13.	Other matters	
14.	Adoption of the report	
15.	Closure of the meeting	