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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fortieth Meeting  
Montreal, 16 -18 July 2003

**CRITERIA FOR PROJECT FUNDING TO ACCELERATE PHASE-OUT  
AND/OR TO MAINTAIN MOMENTUM  
(DECISION 39/6 (c) (ii))**

## **Background**

1. At its 39<sup>th</sup> Meeting the Executive Committee requested the Secretariat:
  - (i) To identify funds not required in the current business plan year beginning with 2003 for possible allocation to the next business plan year for the needs of the implementing agencies in assisting Article 5 Parties to meet their compliance targets;
  - (ii) To propose for consideration by the Executive Committee at its 40<sup>th</sup> Meeting, criteria for the redeployment of identified funds to additional projects designed to meet additional compliance needs of Article 5 Parties to assist in early phase-out and/or maintain momentum.

### **(Decision 39/6 (c))**

2. This document proposes a process for identifying funds not required in the current business plan year for possible allocation to the next business plan year and proposes criteria for the redeployment of identified funds to additional projects designed to meet additional compliance needs of Article 5 Parties to assist in early phase-out and/or maintaining momentum.

### **Process for identifying funds not required in the current business plan year**

3. Prior to the current triennium, savings arising from the approval of business plans activities were reallocated to the last year of the triennium to ensure that the whole of the triennium budget was committed during the triennium as mandated by the Parties. The savings represented the difference between the resources planned for activities in the agencies' annual business plans and the amount approved by the Executive Committee for the same activities.
4. The Parties approved a budget of US \$573 million for the current triennium of which US \$325 million was allocated for prior and standard commitments and the remaining US \$248 million was allocated according to the compliance needs of Article 5 countries (Decision 39/5). Compliance needs were addressed - to the extent possible - by the implementing and bilateral agencies in their respective 2003-2005 business plans. The Executive Committee has endorsed the business plans of the implementing agencies for the year 2003 and noted those of the bilateral agencies. While the endorsement does not denote approval of these new activities nor of their costs, the value of such activities (about US \$95.6 million in 2003) represents the maximum amount that is expected to be considered for funding by the Executive Committee in 2003.
5. Therefore, the amount of funding that is not required in the 2003 business plans can only be determined after the consideration by the Executive Committee of requests for funds at its 40<sup>th</sup> and 41<sup>st</sup> Meetings. The magnitude of this amount could be determined as the difference between the value for each activity in the business plans and the amount approved for them by the Executive Committee.

6. Any amount of funds returned by the implementing and bilateral agencies after implementation and/or cancellation of approved projects could also be utilized during the triennium for additional activities, provided that the projects were included in the business plans. The same should also be applicable to situations where funds are returned due to changes in enterprise ownership, subject to the same condition.

7. There is always a possibility that a sectoral/national phase-out plan slated to be submitted for approval with a request for the first annual tranche funding during the business plan year would be delayed or deferred by a year along with the schedule of annual tranches. The amount of resources allocated to such an activity in the business plan could then be made available for redeployment.

8. The above notwithstanding, it should be underscored that at this time the 2003-2005 business plan exceeds the expected level of resources to be received during the triennium by over US \$31 million. Unless the value of projects approved is below the level of funds included in the business plans, there may not be any additional resources available during the triennium for a special funding window unless other sources of income are made available.

### **Criteria for project funding to accelerate phase-out and/or to maintain momentum**

9. An ab initio understanding of the terms “early phase-out” and “maintaining momentum” is important for the development of criteria for redeployment of funds. Therefore, the Secretariat proposes that:

- Early phase-out should connote approval of projects that will be implemented ahead of the onset of the last control measure(s) in regards to a Protocol’s Annex or a Group within the Annex, e.g. Annex E or Group I of Annex A.
- Maintaining of momentum should mean approval of additional projects for a specific country to address the phase-out of its remaining consumption of controlled substances within a specified time frame.

10. Based on these proposed definitions, the following criteria may be considered by the Executive Committee:

- (a) Article 5 countries with low consumption of methyl bromide, halons or CTC could achieve total and earlier phase-out through approval and implementation of a single project instead of one that meets a near term control measure (e.g., 20% phase-out by 2005 for methyl bromide).
- (b) A shorter time frame to complete the implementation of already approved multi-year agreements. This would require approval of the remaining funding over a shorter period of time than planned for in a given agreement, with the associated increase in the level of resources originally allocated in a business plan (e.g. China’s CFC production sector).

- (c) The same approach can be used in the case of an LVC country that is implementing an RMP approved in accordance with Decision 31/48 (compliance with the 2005 and 2007 control measures), but wishes to comply with its 100% phase-out of Annex A Group I before 2010.
- (d) Project proposals that have been, or are being prepared, with Multilateral Fund support for the phase-out of the remaining consumption in a sector but are not essential for meeting immediate compliance needs (e.g. India's CFC consumption in the refrigeration servicing sub-sector, or Indonesia's CFC remaining consumption in the foam sector).

11. Although not strictly related to Decision 39/6 (c), new Article 5 Parties may need immediate assistance to achieve compliance, especially in those cases where their current consumption exceeds their baselines or latest control levels. It should be noted that the 2003-2005 business plan of the Fund and the 3-year phase-out plan do not include projects or phase-out from these countries.

### **Recommendation**

The Monitoring, Evaluation and Finance Sub-Committee may wish to recommend to the Executive Committee:

1. To adopt the following process for identifying funds for a funding window to accelerate phase-out and maintain momentum:
  - (a) Funds that are not required in the current year's business plan are defined as the difference between the value for each activity in the business plan and the amount approved for them by the Executive Committee;
  - (b) Funds that are returned from balances, cancellations, and changes in ownership from projects approved during the triennium; and
  - (c) Funds from annual tranches that are not approved during the business plan year due to a delay in submission approval.
2. To adopt the following criteria to accelerate phase-out and maintain momentum in descending order for projects/agreements from:
  - (a) New Parties to the Montreal Protocol and its amendments;
  - (b) Countries with low levels of consumption in methyl bromide, halon and CTC;
  - (c) Countries to phase-out ODS production;

- (d) LVC countries who have received an RMP pursuant to Decision 31/48; and
- (e) Countries for which project preparation has been approved and utilized.

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