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**Twenty-First Meeting of the Parties to the  
Montreal Protocol on Substances that  
Deplete the Ozone Layer**

Port Ghalib, Egypt, 4–8 November 2009

Item 5 of the provisional agenda of the high-level segment\*

**Presentation by the Chair of the Executive Committee of the Multilateral Fund  
on the work of the Executive Committee, the Multilateral Fund Secretariat and  
the Fund's implementing agencies**

**Report of the Executive Committee of the Multilateral Fund  
for the Implementation of the Montreal Protocol to the  
Twenty-First Meeting of the Parties**

**Note by the Secretariat**

The annex to the present note contains a submission by the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol for the consideration of the Twenty-First Meeting of the Parties. The report is being circulated as received. It has been edited and translated by the Secretariat of the Multilateral Fund.

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\* UNEP/OzL.Pro.21/1.

## **Annex**

### **REPORT OF THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL TO THE TWENTY-FIRST MEETING OF THE PARTIES**

#### **Introduction**

1. The terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro.9/12, Annex V) require the Committee to report annually to the Meeting of the Parties. The present report, which covers the activities undertaken by the Executive Committee since the Twentieth Meeting of the Parties, is submitted in fulfilment of that requirement. The report includes four annexes: Annex I presenting tables with data on project approvals; Annex II containing an assessment report on implementation of the recommendations from the 2004 evaluation and review of the financial mechanism; Annex III showing the amounts of HCFC consumption phased in; and Annex IV containing the interim guidelines for the selection of ODS disposal projects and related definitions.

2. During the reporting period, the 57<sup>th</sup> and 58<sup>th</sup> Meetings of the Executive Committee were held in Montreal from 30 March to 3 April 2009, and 6 to 10 July 2009, respectively. The reports of the 57<sup>th</sup> and 58<sup>th</sup> Meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/57/69 and UNEP/OzL.Pro/ExCom/58/53, respectively, and are available on the Multilateral Fund's web site ([www.multilateralfund.org](http://www.multilateralfund.org)).

3. In accordance with decision XX/22 of the Twentieth Meeting of the Parties, the 57<sup>th</sup> and 58<sup>th</sup> Meetings of the Executive Committee were attended by representatives of the following countries, Members of the Executive Committee: Australia, Belgium, Germany, Japan, Romania, Sweden (Chair) and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Protocol, and by Bolivia, China, the Dominican Republic (Vice-Chair), Gabon, Georgia, Namibia and Yemen, representing Parties operating under paragraph 1 of Article 5 of the Protocol, and were chaired by Mr. Husamuddin Ahmadzai (Sweden), with Mr. Juan Filpo (Dominican Republic) acting as Vice-Chair.

4. Both the Meetings within the reporting period were also attended by representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) both as implementing agency and as Treasurer of the Fund, the United Nations Industrial Development Organization (UNIDO), the World Bank, the Ozone Secretariat and other observers.

#### **A. PROCEDURAL MATTERS**

##### **(i) Establishment of contact groups**

5. The Executive Committee during this reporting period established several contact groups to deal with issues such as: criteria for including HCFC foam, refrigeration and solvent demonstration projects in the implementing agencies' business plans, ODS disposal projects, the link between the implementation of activities and the release of tranches, imposition of penalty clauses, evaluation of terminal phase-out management plans (TPMPs), criteria and guidelines for the selection of ODS disposal projects, and analysis of new approaches on second-stage conversions, determination of cut-off date and other outstanding HCFC policy issues.

**(ii) Sub-group on the production sector**

6. The 57<sup>th</sup> Meeting reconvened the Production Sector Sub-group, composed of the representatives of Australia (facilitator), Bolivia, China, the Dominican Republic, Georgia, Germany, Japan, Namibia, Sweden and the United States of America, for the purpose of finalizing elements for a future decision with respect to the HCFC production sector, as required by Executive Committee decision 56/64 (see paragraph 34 below).

**B. FINANCIAL AND ADMINISTRATIVE MATTERS****(i) Status of contributions and disbursements**

7. As at 27 May 2009, the total income to the Multilateral Fund, including cash payments, promissory notes held, bilateral contributions, interest earned and miscellaneous income, amounted to US \$2,548,364,116, and total allocations, including provisions, amounted to US \$2,280,186,732. The balance available at 27 May 2009 therefore amounted to US \$94,830,147. The yearly distribution of contributions against pledges is as follows:

**YEARLY DISTRIBUTION OF CONTRIBUTIONS AGAINST PLEDGES**

<b>Year</b>	<b>Pledged contributions US \$</b>	<b>Total payments US \$</b>	<b>Arrears/outstanding pledges US \$</b>
1991-1993	234,929,241	210,656,464	24,272,777
1994-1996	424,841,347	393,465,069	31,376,278
1997-1999	472,567,009	434,130,491	38,436,518
2000-2002	440,000,001	429,183,071	10,816,930
2003-2005	474,000,000	465,569,532	8,430,468
2006-2008	368,028,480	353,273,300	14,755,180
2009	133,342,202	52,850,535	8,0491,667
<b>Total:</b>	<b>2,547,708,280</b>	<b>2,339,128,462</b>	<b>208,579,818</b>

Note: Not including any disputed contributions.

**(ii) Interest collected during the 2006-2008 triennium**

8. As at 27 May 2009, the total level of interest recorded in the Treasurer's accounts amounted to US \$43,537,814 for the 2006-2008 triennium.

**(iii) Bilateral cooperation**

9. During the period under review, the Executive Committee approved requests by Canada, the Czech Republic, France, Germany, and Italy to credit bilateral assistance amounting to a total of US \$2,464,101 (decision 57/17 and 58/20). This brings the total for bilateral cooperation since the inception of the Multilateral Fund Secretariat to US \$128,509,980 (excluding cancelled and transferred projects), representing approximately 5.3 per cent of funds approved. The range of bilateral projects approved includes, *inter alia*, preparation of HCFC phase-out plans, national CFC consumption phase-out plans, terminal phase-out of methyl bromide, TPMPs for Annex A (Group I) substances, and technical assistance support.

**(iv) Issues pertaining to contributions**

10. During the period under review, the Committee urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible and concern was expressed regarding arrears in contributions and the length of time that these had existed (decisions 57/2 and 58/1).

**(v) Reconciliation of the 2006 and 2007 accounts of the Multilateral Fund**

11. The 57<sup>th</sup> Meeting reviewed the reconciliation of the 2006 and 2007 accounts and noted that the exercise had been completed for UNEP and that UNDP, UNEP and UNIDO had taken the necessary follow-up action. The conclusion of the reconciliation exercise for the 2006 and 2007 accounts was, however, pending while awaiting reports from the World Bank on a shortfall and from the Treasurer on deductions from transfers to the World Bank (decision 57/38).

**(vi) Provisional 2008 accounts of the Multilateral Fund**

12. The 58<sup>th</sup> Meeting considered the provisional 2008 accounts, noting that the final 2008 accounts would be submitted to the 59<sup>th</sup> Meeting. The accounts had formed part of the financial statements of UNEP, which had been audited by the United Nations Board of Auditors in June 2009. The Executive Committee also noted the action taken by the Treasurer to reflect adjustments resulting from the reconciliation of the 2007 accounts exercise (decision 58/39).

**(vii) Facility for additional income from loans and other sources**

13. The 57<sup>th</sup> Meeting considered a facility for additional income and four potential uses, several or all of which could be pursued simultaneously. The first use would make funds available to undertake pilot projects for co-financing arrangements to mobilize resources to achieve maximum climate and other environmental benefits; the second option would be to attempt to obtain additional cash resources from public and private sources on either an ongoing or one-off basis; the third option built upon ongoing work in establishing relationships with other funding entities, including harmonization of project approval processes, and offering the facility as a store of funds advanced from other entities for expedited disbursement to agencies; and the fourth option would attempt to develop the facility further to enable it to seek, house and manage credits for climate change and other environmental benefits or ODS destruction from global carbon markets. The last option would benefit from any structures that had been established under the first three uses. The Executive Committee asked the Secretariat to prepare a paper on a special funding facility within the Multilateral Fund, together with an executive summary, taking into account the views expressed. The revised paper would be submitted to the Executive Committee's 58<sup>th</sup> Meeting (decision 57/37).

14. At its 58<sup>th</sup> Meeting, the Executive Committee considered the revised paper prepared by the Secretariat, which included a discussion of possible legal, structural and administrative issues related to the facility. Although all legal issues would ultimately be determined by the Parties, it appeared that the Fund would not be precluded from funding other activities from additional income as long as those activities were related to ODS phase-out or considered to be agreed incremental costs. The paper suggested that funds might be raised from interested donors for pilot projects to further capitalize the facility. It finally concluded that additional study by the Treasurer was needed and input from an external carbon market specialist would be useful to address those issues related to carbon credits, which might be put forward for further consideration by the Executive Committee.

15. During discussion of the revised paper, it was generally agreed that the related issues had to be taken up by the Meeting of the Parties because of the associated high-level policy and legal implications and the Secretariat was asked to reflect in its report to the Parties the detailed discussions held on the issue at the 58<sup>th</sup> Meeting, and to draw attention to the information contained in document UNEP/OzL.Pro/ExCom/58/49, which was available on the Secretariat's website.

16. Several members agreed that an additional study in the form of a further concept paper was needed for consideration at the 59<sup>th</sup> and possibly the 60<sup>th</sup> Meetings of the Executive Committee and that it should explore the following elements:

- Definition of a facility (was it just an accounting line with special reporting requirements or did it have a separate personality?);
- Benefits of establishing a facility compared to soliciting voluntary contributions to the Fund itself;
- Description of what activities would be eligible for assistance from a facility and how they differed from activities currently eligible for Multilateral Fund assistance;
- Who would contribute to a facility and the role of extra-budgetary contributors within the Executive Committee?
- The time horizon over which a facility would be active;
- How a facility would initially be capitalized;
- How a facility would maintain funding over time;
- Criteria for receiving funding from a facility (such as repayment of money provided by the facility); and
- The potential role of carbon markets.

17. Several of the foregoing issues had been well covered in the Secretariat's paper, whereas others required more in-depth treatment. The importance of defining a facility and clearly explaining its function was stressed.

18. One Member stated that his delegation was against the creation of any new funding entities in principle, and therefore could not support the creation of the facility and other members associated themselves with this statement. It was felt that there should be a direct and explicit discussion at the 59<sup>th</sup> Meeting of the benefits of establishing a facility versus using the Multilateral Fund structure to maximize the benefits for climate. It was felt that there was a need to justify the creation of a new entity, clearly demonstrating its added value. The importance of identifying what would, and what would not, be eligible for funding under a facility was also emphasized.

19. Members also indicated a desire to discuss the extent to which a facility might add a burden to the work and operation of the Secretariat and modalities for co-financing with the GEF and bringing projects forward for consideration. Co-financing and additional resources were key issues with respect to what the Executive Committee would like to achieve related to climate co-benefits flowing from decision XIX/6 of the Nineteenth Meeting of the Parties. In this respect, it was suggested that the Secretariat could prepare a paper, in consultation with the GEF Secretariat, to examine opportunity for co-financing with particular emphasis on available funding resources and modalities.

20. The World Bank offered to make a representative from the Bank's Treasury Department available to the Executive Committee at its 59<sup>th</sup> Meeting to present mechanisms, such as advanced commitments, for dealing with additional financing and blending Multilateral Fund resources with carbon financing. This offer was accepted by the Executive Committee.

21. Following the discussion, the Executive Committee decided to request the Secretariat to prepare a further concept paper for the 59<sup>th</sup> Meeting, taking into account the comments made, and to seek advice from external carbon market specialists on how the market might best be employed in the longer term in the context of a facility. The Secretariat and the Treasurer were additionally asked to address the

implications of optimally managing credits for climate change and other environmental benefits from the global carbon markets with a view to making that component of a facility operational (decision 58/37).

**(viii) Agreement between UNEP as Treasurer of the Multilateral Fund and the Executive Committee**

22. The 58<sup>th</sup> Meeting was reminded that in July 2004 an Agreement between UNEP as Treasurer of the Multilateral Fund and the Executive Committee had been signed under which the Executive Committee would remunerate UNEP by US \$500,000 annually for its services as Treasurer, and that sum would remain unchanged for a period of five years as of the date of entry into force of the Agreement. The Executive Committee had approved the sum of US \$500,000 for the year 2009, but the level of funding for the year 2010 onwards needed to be decided. The Executive Committee considered that more time was required to examine the matter more thoroughly and agreed to defer consideration to its 59<sup>th</sup> Meeting.

**(ix) Periodicity of Executive Committee Meetings**

23. The 57<sup>th</sup> Meeting discussed the periodicity of Executive Committee Meetings, taking into account the findings and conclusions in papers prepared on the operation of the Executive Committee. After discussing the advisability of holding two regular meetings, with the possibility of convening a third meeting if needed, or holding three meetings with a four-day format, or maintaining the status quo, the Executive Committee decided to maintain the status quo, but asked the Secretariat to organize one four-day meeting within the coming year. The Secretariat was also asked to monitor the time and workload at Meetings of the Executive Committee as compared to meetings of the Parties and of the Open-ended Working Group and to discuss the issue anew at the 61<sup>st</sup> Meeting, taking into account the experience gained (decision 57/39).

**(x) Staff matters**

24. The 57<sup>th</sup> Meeting noted that an interim Senior Monitoring and Evaluation Officer had been appointed for a period of six months and that recruitment for the positions vacant at the Secretariat was going ahead according to the established procedure.

**C. ACTION TAKEN TO IMPLEMENT DECISIONS OF MEETINGS OF THE PARTIES**

*Decision XVII/6*

25. Decision XVII/6 required the Executive Committee to report to the Open-ended Working Group annually on the progress made in reducing emissions of controlled substances from process agent uses, the associated make-up quantity of controlled substances, the implementation and development of emissions reduction techniques and alternative processes and products not using ODS. The 57<sup>th</sup> Meeting therefore considered the relevant report prepared by the Fund Secretariat, requesting that it be completed, taking into account comments provided by Members, and submitted to the twenty-ninth meeting of the Open-ended Working Group (decision 57/41). The report of the Executive Committee in response to decision XVII/6 is contained in document UNEP/OzL.Pro.WG.1/29/4.

26. The 58<sup>th</sup> Meeting considered the revised report prepared by the Secretariat on emission reductions and phase-out of CTC, which highlighted the fact that there was still a discrepancy of around 40,000 metric tonnes, equal to over 20 per cent of global CTC production, between the information received from industry and Article 7 data. The Secretariat was asked to bring the report to the attention of relevant bodies, in particular the Scientific Assessment Panel and the Technology and Economic Assessment Panel (decision 58/38).

*Decision XIX/6*

27. In decision XIX/6, the Executive Committee was requested to assist Parties in preparing their phase-out management plans for an accelerated HCFC phase-out, paying particular attention to Article 5 Parties with low volume and very low volume consumption of HCFCs, and giving priority when developing and applying funding criteria to cost-effective projects and programmes, with a focus on phasing out first those HCFCs with higher ODP, and small and medium-sized enterprises. The Executive Committee was also directed, as a matter of priority, to assist Article 5 Parties in conducting surveys to improve reliability in establishing their baseline data on HCFCs and to make the necessary changes to the eligibility criteria related to the post-1995 facilities and second conversions.

28. Accordingly, the 57<sup>th</sup> Meeting discussed at length phase-out management plans for an accelerated HCFC phase-out and took a number of relevant decisions, *inter alia*, it agreed that requests for HCFC investment projects and sector plans should be consistent with the requirements of Executive Committee decision 54/39 and provide an indication of how those investment projects related to the HPMP, together with an indication of when the HPMP would be submitted. It further decided that the value of annual tranches for HCFC multi-year agreement (MYA) activities should be considered in HPMP proposals in the light of budgetary restrictions (decision 57/6(b) and (c)).

29. The Secretariat was requested to prepare, for the 59<sup>th</sup> Meeting, a strategic analysis to assist the Executive Committee in providing guidance to the bilateral and implementing agencies on how to equitably allocate, in their 2010 and 2011 business plans, funds for all eligible Article 5 countries to enable them to comply with the HCFC 2013 freeze and the 2015 10 per cent reduction, within the limits of available resources. The strategic analysis should take into consideration any decisions on HCFC costs and funding eligibility taken by the Executive Committee prior to the 59<sup>th</sup> Meeting, and present options on how funding could be allocated, taking into account countries' total HCFC consumption and the sectoral distribution of that consumption (decision 57/6(e)).

30. Also in regard to accelerated HCFC phase-out, the 57<sup>th</sup> Meeting addressed the following outstanding issues: the cut-off date for installation of HCFC-based manufacturing equipment; second-stage conversions, linked to the eligibility of funding for the replacement of HCFC-based equipment installed with assistance from the Fund; and the starting point for aggregate reductions in HCFC consumption. At an informal meeting, two new approaches were proposed, one of which entailed shifting incremental operating costs from direct payment to enterprises to payment to countries based on a percentage of the capital cost associated with the conversion from HCFCs to the most cost-effective non-HCFC technology available. The other involved a long-term strategy for second-stage conversions beyond 2015 and even 2020, taking into account compliance needs and cost-effectiveness.

31. The two Members that had proposed the new approaches were asked to submit information on their proposals to the Secretariat as soon as possible. The Secretariat was requested to post the minutes of the informal meeting on the Multilateral Fund Intranet for comment by Executive Committee Members, subsequent to which the Secretariat would prepare a document compiling and analysing the new approaches proposed, taking into account the intersessional comments from Members, for consideration at the 58<sup>th</sup> Meeting (decision 57/34). Subsequently, the 58<sup>th</sup> Meeting considered an analysis of the outstanding issues on HCFC phase-out that the Executive Committee would need to address, including, among other things, the cut-off date, second-stage conversion and eligible incremental costs for HCFCs, prepared by the Secretariat.

32. A status report on the further analysis of the "functional unit approach" to assess the cost for activities which add a climate benefit to phase-out projects and for the prioritization of HCFC phase-out technologies was submitted to the 57<sup>th</sup> Meeting, which requested the Secretariat to prepare a document presenting four concrete examples of the application of the methodology to two technologies in the foam

sector and two in the refrigeration sector for consideration at the 58<sup>th</sup> Meeting. It was also decided to discuss issues related to the type of incentives to be associated with the indicators being developed and other relevant questions related to the indicators no later than the 58<sup>th</sup> Meeting (decision 57/33).

33. The 58<sup>th</sup> Meeting was informed that considerable progress had been made in developing the models requested, although the calculation and validation of the results had been insufficient at that stage to prepare a document for submission to the Executive Committee. A full analysis of the tools for determining an indicator for the climate impact of projects funded by the Multilateral Fund would be presented to the 59<sup>th</sup> Meeting and in the meantime the models would be shared with the implementing agencies to receive their feedback.

34. At the 57<sup>th</sup> Meeting, the Production Sector Sub-group discussed a number of elements for a future decision with respect to the HCFC production sector, noting that, when any production sector projects were prepared, it was understood that, in accordance with usual practice, preparation of production sector phase-out activities would start after the Executive Committee had decided to initiate a technical audit of relevant production facilities. Having heard the report of the Sub-Group, the Executive Committee requested the Secretariat to undertake an analysis of the technical feasibility of redirecting HCFC-22 production from controlled uses to feedstock uses and if such redirection was found technically feasible, to consider in the analysis options for ensuring that any redirection to feedstock uses was sustained. The analysis was also to consider any costs for downstream facilities associated with the redirected HCFC feedstock use and to make the analysis available in time for the 59<sup>th</sup> Meeting, where it would also address the following issues in particular, HCFC-141b production, cut-off dates, and swing plants (decision 57/35).

35. The 58<sup>th</sup> Meeting Members stressed the urgent need to resolve outstanding policy issues linked to HCFC phase-out and set up a contact group for that purpose. Having heard a report from the contact group, the Meeting decided that a working document reflecting its conclusions would be posted on the Intranet. The contact group would then be reconvened to continue its deliberations, in the hope of coming to an agreement on all outstanding issues, immediately preceding the 59<sup>th</sup> Meeting of the Executive Committee.

#### *Decision XX/4*

36. In decision XX/4, the Multilateral Fund Secretariat was requested to report to the Open-ended Working Group at its twenty-ninth meeting on the status of agreements to convert metered-dose inhaler manufacturing facilities located in Parties operating under paragraph 1 of Article 5 and on the implementation of approved projects. Accordingly, the 57<sup>th</sup> Meeting considered a report prepared by the Secretariat, on the basis of progress reports from the implementing agencies, with a view to its submission to the Open-ended Working Group. It decided to request the relevant implementing agencies to submit updated reports and asked the Secretariat to circulate the amended report to Members of the Executive Committee and submit the revised text, taking into account their comments, to the twenty-ninth meeting of the Open-ended Working Group (decision 57/40). The report of the Executive Committee in response to decision XX/4 is contained in document UNEP/OzL.Pro.WG.1/29/3.

#### *Decision XX/7*

37. Decision XX/7 requested the Executive Committee to consider as a matter of urgency commencing pilot projects that might cover the collection, transport, storage and destruction of ozone-depleting substances (ODS), suggesting projects that might be considered as priorities. The Executive Committee, at its 57<sup>th</sup> Meeting, therefore addressed the issue of ODS disposal demonstration projects in the context of business planning for 2009-2011. As no criteria for the selection of such projects had been determined, it was decided to request the Secretariat to prepare a document proposing

criteria and guidelines for their selection, to be submitted to the 58<sup>th</sup> Meeting, and in the meantime to remove all ODS disposal projects from the business plans submitted to the 57<sup>th</sup> Meeting, with the exception of seven demonstration projects in countries covering a broad spectrum of economic conditions and located in all major regions (decision 57/6). The Executive Committee also gave the Secretariat a mandate to provide the Ozone Secretariat with a section on the Multilateral Fund's funding modalities for the report on possible funding opportunities for the management and destruction of ODS banks to be transmitted to the twenty-ninth meeting of the Open-ended Working Group (decision 57/42).

38. When the draft criteria and guidelines prepared by the Secretariat were discussed at the 58<sup>th</sup> Meeting, a difference of opinion arose as to whether they should be adopted immediately or should await the outcome of deliberations at the Open-ended Working Group and the workshop on ODS banks, and conclusion of the studies on ODS destruction. It was acknowledged, however, that some destruction demonstration projects needed to be approved, and the Committee decided to adopt guidelines and related definitions attached as Annex IV to the present report on an interim basis and to consider at the 60<sup>th</sup> Meeting any decision taken by the Parties at their Twenty-first Meeting that might relate thereto. The Executive Committee would decide whether to review the interim guidelines and related definitions at the 64<sup>th</sup> Meeting in light of the experience gained and any additional information and guidance available at that time. Finally, the Secretariat was requested to provide the second Meeting of the Executive Committee in 2011 with a report on the experience gained in the implementation of the disposal projects, using reports from bilateral and implementing agencies and other relevant sources of information (decision 58/19).

#### *Decision XX/8*

39. In decision XX/8, the Parties requested the Multilateral Fund Secretariat to participate in the open-ended dialogue on high global-warming potential alternatives to ODS and the 57<sup>th</sup> Meeting was informed that the Secretariat had made arrangements to attend the workshop, to be held immediately prior to the twenty-ninth meeting of the Open-ended Working Group.

#### *Decision XX/10*

40. Decision XX/10 adopted a budget of US \$490,000,000 for the 2009-2011 replenishment of the Multilateral Fund, requesting the Executive Committee to take action to ensure, as far as possible, that the whole of the budget was committed by the end of 2011 and that Parties not operating under paragraph 1 of Article 5 should make timely payments in accordance with paragraph 7 of decision XI/6 of the Eleventh Meeting of the Parties. Accordingly, in the interest of enabling full commitment of the budget during the triennium, the 57<sup>th</sup> Meeting urged all Parties to make payments no later than 1 June each year and those Parties in arrears to pay them during 2009. Countries with economies in transition that had never paid were requested to make their contributions for the 2009-2011 triennium. Bilateral agencies were also requested to remain within the estimates specified in their annual business plans. Parties contributing through promissory notes were asked to adjust their encashment schedule so that they corresponded to the year in which contributions were due. It was decided to monitor the impact of the allocation of annual tranche funding in MYAs so as to enable as many HCFC phase-out plans for as many countries as possible to be accommodated during the triennium and to consider the availability of cash flow for the 2011 budget at the first Meeting in 2011 (decision 57/4).

#### *Decision XX/11*

41. The Parties, in decision XX/11, decided to extend the fixed-exchange-rate mechanism (FERM) to the 2009-2011 replenishment and made a number of recommendations on its use. The Treasurer reported to the 57<sup>th</sup> Meeting on use of the mechanism and echoed the recommendations made by the Parties. The

Committee urged Parties eligible to use the FERM to advise the Treasurer of their intention to do so before the 58<sup>th</sup> Meeting of the Executive Committee (decision 57/2).

42. The 58<sup>th</sup> Meeting took note of the list of Parties that had informed the Treasurer of their intention to use the FERM mechanism during the 2009-2011 replenishment period (decision 58/1).

*Decision XX/15*

43. In decision XX/15, the Parties requested the Executive Committee to show flexibility when considering project proposals for Iraq, taking into account its special situation, without prejudice to the possible review of the non-compliance situation of Iraq by the Parties. The Executive Committee, at its 57<sup>th</sup> Meeting, bearing in mind the Parties' decision, approved two investment projects for Iraq in the foam and refrigeration sectors (decisions 57/26 and 57/27).

44. Subsequently, the 58<sup>th</sup> Meeting noted with appreciation the assistance and guidance provided to the Government of Iraq by UNEP and UNIDO, which had led to the ratification of the Vienna Convention and the Montreal Protocol and all the amendments thereto and the establishment of an ODS licensing system, as well as the preparation and submission of the national phase-out plan for Iraq, which was approved by the meeting together with the related draft agreement (decision 58/32).

**D. BUSINESS PLANNING AND RESOURCE MANAGEMENT**

**(i) Consolidated business plan of the Multilateral Fund for 2009-2011**

45. The 57<sup>th</sup> Meeting considered the consolidated business plan of the Multilateral Fund for the 2009-2011 triennium, noting with concern that the amounts in the business plans exceeded the budget for the triennium, owing largely to the uncertainty in the costing of HCFC activities. Bilateral and implementing agencies were urged to continue their efforts to implement approved projects to ensure the expected phase-out of 8,836 ODP tonnes in 2009.

46. It was decided to remove from the implementing agencies' business plans all metered-dose inhaler strategies, all HCFC production components and all HCFC foam demonstration projects, with the exception of five, all HCFC refrigeration demonstration projects, all HCFC solvent demonstration projects, and all ODS disposal projects with seven exceptions (see also paragraph 37 above) (decision 57/6).

**(ii) 2009-2011 business plans of the implementing agencies**

47. The 57<sup>th</sup> Meeting considered the business plans of bilateral agencies, UNDP, UNEP, UNIDO and the World Bank, removing some projects and posing conditions on others, as shown in detail in the Committee's report. It also approved the performance indicators for UNDP, UNEP, UNIDO and the World Bank (decisions 57/7, 57/8, 57/9, 57/10 and 57/11, respectively).

**(iii) Compliance with the initial and intermediate control measures of the Montreal Protocol**

48. The 57<sup>th</sup> Meeting considered a report containing an update on the status of compliance and information on projects with implementation delays. It was noted that 13 of the 33 projects previously listed as having implementation delays had been completed. Article 5 Parties were encouraged to conduct their own compliance risk assessment, making full use of the methodology and indicators developed by the Secretariat. It was decided to request additional status reports on some projects and to consider further the role of the Secretariat with respect to the assessment of the risks of non-compliance in the context of work programmes on monitoring and evaluation. The Secretariat was requested to take the established actions regarding projects with implementation delays (decision 57/5).

49. The 58<sup>th</sup> Meeting reviewed the status of implementation of delayed projects, noting that the Secretariat would continue monitoring the projects that had been listed as having made “some progress”. It also requested additional status reports on certain projects and the cancellation of three others by mutual agreement (decision 58/4).

## **E. FUND ACHIEVEMENTS SINCE INCEPTION**

### **(i) Total ODS phased out**

50. Since 1991, 6,002 projects and activities (excluding cancelled and transferred projects) had been approved, with the following geographical distribution: 2,516 projects and activities for countries in Asia and the Pacific; 1,507 for countries in Latin America and the Caribbean; 1,348 for countries in Africa, 356 for countries in Europe; and 275 with global coverage. Of the 452,100 tonnes of ODS to be eliminated when all these projects have been implemented, a total of 415,099 tonnes of ODS had already been phased out by the end of December 2008. A breakdown by production and consumption and by sector is given in table 1 of Annex I. The sectoral distribution of the actual phase-out is indicated in the table below:

<b>Sectors</b>	<b>ODP tonnes phased out*</b>
Aerosol	25,363
Destruction	0
Foam	65,608
Fumigant (methyl bromide)	4,878
Halon (production and consumption)	85,686
Projects in multiple sectors	455
Process agent (production and consumption)	55,348
National phase out plan	34,368
Production	86,708
Refrigeration	47,477
Several	656
Solvent	7,068
Sterilant	60
Tobacco expansion	1,424
<b>Total</b>	<b>415,099</b>

\*Excluding cancelled and transferred projects

### **(ii) Funding and disbursement**

51. The total funds approved by the Executive Committee since 1991 in order to achieve this phase-out and to implement both ongoing investment projects and all non-investment projects and activities were US \$2,412,913,663, including US \$239,986,923 for agency support costs (excluding cancelled and transferred projects). Of the total project funds approved, the amounts allocated to, and disbursed by, each of the implementing agencies and bilateral agencies, are indicated in the table below:

Agency	US \$ approved (1)	US \$ disbursed (2)
UNDP	564,987,213	474,037,955
UNEP	164,448,054	128,777,282
UNIDO	546,687,069	451,599,091
World Bank	1,008,281,347	934,611,633
Bilateral	128,509,980	93,701,545
<b>Total</b>	<b>2,412,913,663</b>	<b>2,082,727,507</b>

(1) As at 21 September 2009 (excluding cancelled and transferred projects)

(2) As at 31 December 2008 (excluding cancelled and transferred projects)

## F. FUNDING APPROVALS DURING THE REPORTING PERIOD

### (i) Projects and activities approved during the reporting period (57<sup>th</sup> and 58<sup>th</sup> Meetings of the Executive Committee)

52. During the reporting period, the Executive Committee approved a total of 222 additional projects and activities, with a planned phase-out of 3,979 ODP tonnes in the production and consumption of controlled substances. The total funds approved for project/activity implementation, amounting to US \$46,869,929 including US \$3,419,855 for agency support costs, are as follows by agency:

Agency	US \$	US \$ support	US \$ total
UNDP	7,318,526	563,667	7,882,193
UNEP	6,039,718	511,785	6,551,503
UNIDO	11,907,186	897,967	12,805,153
World Bank	15,974,770	1,170,109	17,144,879
Bilateral	2,209,874	276,327	2,486,201
<b>Total</b>	<b>43,450,074</b>	<b>3,419,855</b>	<b>46,869,929</b>

### (ii) 2009 work programmes

53. The 57<sup>th</sup> Meeting considered and approved the 2009 work programmes of UNDP, UNEP and UNIDO, subject to certain conditions, with the exception of one project preparation request for UNEP (decisions 57/18 and 57/19, 57/20 and 57/21, 57/22 and 57/23, 57/24 and 57/25, respectively).

54. Amendments to the implementing agencies' 2009 work programmes were considered by the 58<sup>th</sup> Meeting. The Executive Committee took decisions relating to the proposed amendments by UNDP, UNEP, UNIDO and the World Bank (decisions 58/21 and 58/22, 58/23 to 58/25, 58/26 and 58/27, and 58/28 and 58/29, respectively).

### (iii) Investment projects

55. Of the total funds approved in the period under review, the Executive Committee allocated US \$30,752,675 including US \$2,189,805 for agency support costs, for the implementation of investment projects to eliminate an estimated quantity of 3,767 ODP tonnes in consumption and production of ODS. A breakdown by sector is given in table 2 of Annex I to the present report.

56. The Executive Committee also approved three new agreements at its 57<sup>th</sup> Meeting (decision 57/16) and two new agreements at its 58<sup>th</sup> Meeting (decisions 58/18 and 58/32), with

commitments in principle totalling US \$7,908,250. Details of the amounts per country and sector can be found in table 3 in Annex I to the present report.

57. The Executive Committee, at its 57<sup>th</sup> Meeting, decided to impose the penalty clauses provided under the relevant agreements with the Executive Committee in two cases for reasons of non-compliance (decisions 57/28 and 57/30).

**(iv) Non-investment activities**

*Technical assistance and training*

58. During the period under review, 13 technical assistance projects amounting to US \$1,400,168, including US \$111,218 for agency support costs, were approved, bringing the cost of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total of US \$208,538,054. This amount does not include the non-investment components of MYAs.

*Institutional strengthening*

59. During the period since the Twentieth Meeting of the Parties, US \$4,175,697 including agency support costs of US \$144,613 were approved for institutional strengthening (IS) projects. This brings the total approvals by the Executive Committee to US \$77,679,552 for IS projects in 144 Article 5 countries. When approving funding for IS projects, the Executive Committee expressed certain views that were annexed to the reports of the respective meetings.

60. The 57<sup>th</sup> Meeting considered a review of the current funding arrangements for IS and capacity building and analysed the demand for continued IS support in relation to the existing control measures of the Montreal Protocol. It decided to continue funding requests for the renewal of IS projects at current levels up to the end of December 2010 pending final resolution of the issue by the Executive Committee at its 58<sup>th</sup> Meeting. The Secretariat was requested to continue its work on objectives, indicators and formats so that the results could be applied to requests for renewal of IS projects submitted by countries from the beginning of 2010 onwards (decision 57/36).

61. During the discussion on levels of funding for IS projects beyond 2010 held at the 58<sup>th</sup> Meeting, the essential role played by IS in promoting the overall objectives of the Montreal Protocol, especially in creating National Ozone Units (NOUs), was highlighted, although it was also considered that it would be important for Article 5 countries to assume funding for NOUs at some point in the future. Following a discussion on IS funding options, during which divergent opinions were expressed, the Executive Committee decided to approve institutional strengthening renewals up to 31 December 2010 (decision 58/16) and agreed to refer the matter to the contact group set up to discuss outstanding HCFC policy issues (see paragraph 35 above), on the understanding that funding options for IS projects beyond 2010 would be addressed as a separate issue. After a preliminary report by the contact group was presented to the Executive Committee, it was agreed that it should be reconvened immediately prior to the 59<sup>th</sup> Meeting in hopes of coming to an agreement on all outstanding issues.

*Country programmes*

62. During the period under review, the Executive Committee approved country programmes for Equatorial Guinea (decision 57/32) and Iraq (decision 58/36). The total number of country programmes approved since the Committee's inception is 142, covering the estimated baseline production of 140,088.1 ODP tonnes of CFCs and halons and baseline consumption of 200,802.2 ODP tonnes of controlled substances (as stated in the country programme documents).

**G. MONITORING AND EVALUATION****(i) Evaluation of the implementation of the 2008 business plans**

63. At the 58<sup>th</sup> Meeting, the Executive Committee reviewed the evaluation of the implementing agencies' performance against their 2008 business plans and noted the quantitative assessment of their performance for 2008 on a scale of 100 as follows: UNDP (76), UNEP (88), UNIDO (95), and the World Bank (72). The performance of the bilateral and implementing agencies had been marked as satisfactory or highly satisfactory in the qualitative performance assessments by the National Ozone Units in the overall assessments of performance in 2008 (decision 58/14).

**(ii) Progress reports****(a) Consolidated progress report**

64. The 58<sup>th</sup> Meeting took note of the consolidated progress report of the Multilateral Fund, expressing concern that HCFC phase-out management plan (HPMP) preparation activities were expected to take longer than originally planned in general. It urged implementing agencies to complete HPMP development, taking into account in particular decision 54/39(e) and (h); and to follow the operational guidelines for progress reporting, using the Secretariat's verification programme, to avoid data inconsistencies (decision 58/8).

**(b) Progress reports of the bilateral and implementing agencies**

65. The progress reports of the bilateral and implementing agencies were reviewed by the 58<sup>th</sup> Meeting, which made a number of requests and recommendations addressed to bilateral agencies (decision 58/9) and implementing agencies (UNDP – decision 58/10; UNEP – decision 58/11; UNIDO – decision 58/12; and the World Bank – decision 58/13).

**(iii) Annual tranche submission delays**

66. At the 57<sup>th</sup> and 58<sup>th</sup> Meetings, it was noted that 58 of the 90 and 23 of the 73 annual tranches of multi-year agreements due for submission, respectively, had been submitted on time. It was decided to send letters to the countries and agencies concerning the annual tranches that were due for submission but had not been submitted to the 57<sup>th</sup> or 58<sup>th</sup> Meetings (decisions 57/13 and 58/3).

**(iv) Progress reports on approved projects with specific reporting requirements**

67. The 57<sup>th</sup> and 58<sup>th</sup> Meetings noted the progress reports submitted pursuant to specific reporting requirements and took the required action (decisions 57/14 and 58/15).

**(v) Report on the existing terms of reference for the Senior Monitoring and Evaluation Officer and how the evaluation functions in similar institutions are organized and implemented**

68. The 57<sup>th</sup> Meeting considered the report of the consultant comparing the existing terms of reference for the Senior Monitoring and Evaluation Officer (SMEO) at the Multilateral Fund and positions at the evaluation offices of the Global Environment Facility (GEF), the International Fund for Agricultural Development (IFAD), the World Bank Group (WBG), the Inter-American Development Bank (IDB) and UNDP. The Executive Committee agreed that the monitoring and evaluation function should continue at the current budgetary level and that the post should remain staffed by a highly qualified professional. It requested the Secretariat to prepare and submit to the 58<sup>th</sup> Meeting the terms of reference and workload for the SMEO, reaffirming that the position should retain independence, should be for a fixed term and was best situated in the Secretariat. The Secretariat was asked to propose

additional responsibilities for the SMEO, bearing in mind that the work should be relevant and helpful for HCFC phase-out (decision 57/12).

69. A revised job description for the SMEO and an assessment of his/her workload were submitted to the 58<sup>th</sup> Meeting. After Members had discussed them in detail, the Executive Committee approved the job description and workload assessment, requesting that the discussion held at the Meeting regarding short-term and medium-term needs be taken into account in the future work plan. The Committee also agreed that the maximum period of engagement of the SMEO should be up to ten years (decision 58/5).

**(vi) Final report on the evaluation of terminal phase-out management plans (TPMPs)**

70. The final report on the full evaluation of TPMPs in low-volume-consuming countries was submitted to the 58<sup>th</sup> Meeting, which focused in particular on lessons learned from the evaluation that could be applied to HPMP preparation and the report's recommendations. Following the discussion, the Executive Committee adopted a number of recommendations addressed to bilateral and implementing agencies and to Article 5. Implementing agencies were urged to advise and assist Article 5 countries in reviewing current ODS regulations, including licensing systems, and in incorporating import/export regulations on HCFCs, and to provide information on technical feasibility and economic viability when considering the establishment of new ODS reclamation and recycling centres in future requests for TPMP tranches. Article 5 countries were requested to give due consideration to enhancing their data collection and monitoring systems for control of ODS trade in order to improve the quality and reliability of the import/export data and to include specific modalities for assisting the refrigeration service technicians who had not received formal training when developing and/or designing training programmes for technicians (decision 58/6).

**(vii) Desk study on the evaluation of chiller projects**

71. A desk study and associated country studies on the evaluation of chiller projects were submitted to the 58<sup>th</sup> Meeting. The studies concluded that, although co-financing might not prove very effective in addressing the centrifugal chiller sector, it was nevertheless expected that, in future, co-financing would occur for a wide range of activities, including ODS destruction. During discussion of the studies, it was questioned whether any conclusions could be drawn on the merits of co-financing given that the study had highlighted a lack of data relating to co-financing projects and that it had been noted that the amount of refrigerant replaced under co-financed projects was substantially higher than it would have been with Multilateral Fund support alone. Subsequently, the Executive Committee urged the bilateral and implementing agencies to accelerate implementation of the current chiller projects with co-funding modalities and to provide a progress report to the 59<sup>th</sup> Meeting of the Executive Committee. They were also encouraged to continue in their efforts to explore the applicability of carbon market instruments and other forms of co-financing, as appropriate, for the replacement of HCFC equipment, particularly chiller equipment. In addition, they were requested to complete a thorough analysis of the technical, economic, financial, co-funding and environmental issues associated with the replacement, and to demonstrate their economic viability and long-term sustainability prior to submitting a request for approval for any activities related to chiller conversions they might undertake in the context of HPMPs (decision 58/7).

**H. POLICY MATTERS**

**(i) Deferral of a multi-year agreement tranche due to low rate of disbursement for the previous tranche**

72. The 57<sup>th</sup> Meeting considered whether approval should be granted for subsequent tranches of MYAs where some of the activities in the previous tranche had a very low rate of implementation, as well as a very low rate of fund disbursement. It decided that bilateral and implementing agencies should not

submit for the Committee's consideration requests for funding of tranches of MYAs where the rate of implementation of activities initiated was low under the previously approved tranches and the rate of disbursement of funding was less than 20 per cent, even when the levels of consumption of the ODS under consideration were below the maximum allowable levels under the Montreal Protocol and the agreement between the Government concerned and the Executive Committee (decision 57/15).

#### **I. FUND SECRETARIAT ACTIVITIES**

73. During the period under review, the Fund Secretariat had taken action pursuant to the decisions taken by the Executive Committee at its 56<sup>th</sup>, 57<sup>th</sup> and 58<sup>th</sup> Meetings. It had also prepared documentation and provided conference services for the 57<sup>th</sup> and 58<sup>th</sup> Meetings. Proposals for projects and activities from implementing agencies and bilateral partners had been submitted amounting to US \$87,717,589. In addition to the documents customarily prepared for Executive Committee Meetings, the Secretariat had also prepared documents, *inter alia*, on the policy matters referred to above.

74. The Secretariat had analysed and reviewed 276 funding requests and provided comments and recommendations for the Executive Committee's consideration. The requested level of funding, following project review, for approval at the 57<sup>th</sup> and 58<sup>th</sup> Meetings amounted to US \$52,038,412.

75. During this period, the Executive Committee was informed of requests received for information from other multilateral environmental agreement secretariats. The Fund Secretariat had informed the Executive Committee of such requests and responded to them, taking into account the recommendations made by the Committee. The Executive Committee was also informed of the meetings attended by the Chief Officer and Fund Secretariat staff.

#### **J. MATTERS RELATING TO THE MEETING OF THE PARTIES**

76. The 58<sup>th</sup> Meeting reviewed the draft report of the Executive Committee to the Twenty-First Meeting of the Parties, which covered the 57<sup>th</sup> Meeting. The Secretariat was authorized to finalize it in the light of the discussions held and decisions taken at the 58<sup>th</sup> Meeting (decision 58/40).

77. In response to decision XVI/36 of the Sixteenth Meeting of the Parties, requesting the Executive Committee to include a component in its annual report on the progress made and the issues encountered in its consideration of the recommendations contained in the executive summary of the 2004 evaluation and review of the financial mechanism of the Montreal Protocol, the Executive Committee has annexed hereto its progress report to the Twenty-first Meeting of the Parties (Annex II).

78. Annex III contains a table showing the amount of HCFC-141b consumption phased in through projects using HCFCs as a replacement. This is in response to Executive Committee decision 36/56(e), which states, *inter alia* "That the annual Executive Committee report to the Meeting of the Parties should state by country the amount of HCFC-141b consumption phased in through projects using HCFC as replacement, a consumption which would – in application of decision 27/13 – be excluded from funding at future stages".

#### **K. REPORTS OF THE EXECUTIVE COMMITTEE**

79. The reports of the 57<sup>th</sup> and 58<sup>th</sup> Meetings (UNEP/OzL.Pro/ExCom/57/69 and UNEP/OzL.Pro/ExCom/58/53, respectively) and meeting summaries have been distributed to all Parties to the Montreal Protocol. The reports of these Meetings and previous Executive Committee Meetings are available from the Fund Secretariat on request or can be accessed at the web site of the Fund Secretariat ([www.multilateralfund.org](http://www.multilateralfund.org)).

## Annex I

## TABLES WITH DATA ON PROJECT APPROVALS

Table 1: Sectoral distribution of phase-out in all approved projects and activities since inception\*

Sector	ODP approved	ODP phased out
Consumption		
Aerosol	27,865	25,363
Destruction	0	0
Foam	64,825	65,608
Fumigant	6,680	4,878
Halon	48,376	45,228
Multi-sector	670	455
Other	1,380	1,424
Process agent	6,210	6,050
Phase-out plan	41,866	34,368
Refrigeration	51,183	47,477
Several	753	656
Solvent	7,225	7,068
Sterilant	55	60
Total Consumption	257,087	238,635
Production		
CFC	88,763	80,789
Halon	43,158	41,658
CTC	60,610	49,298
TCA	113	34
MBR	445	231
Multiple ODS	1,925	4,455
Total Production	195,013	176,464

\* Excluding cancelled and transferred projects

Table 2: Sectoral distribution of approved investment projects since inception

Sector	ODP tonnes	US \$ approved
Aerosol	27,865	93,869,241
Destruction	0	661,150
Foam	64,825	398,985,616
Fumigant	6,680	120,837,444
Halon	90,334	92,551,412
Multi-sector	670	2,816,251
Other	1,380	17,381,709
Process agent	55,554	131,802,230
Phase-out plan	53,132	292,019,766
Production	92,445	337,450,802
Refrigeration	51,183	572,206,785
Several	753	244,705,804
Solvent	7,225	106,420,983
Sterilant	55	1,204,469
<b>Total</b>	<b>452,100</b>	<b>2,412,913,663</b>

\* Excluding cancelled and transferred projects

**Table 3: Agreements approved during the reporting period**

Country	Project	To be implemented by	Total phase-out ODP tonnes	Funding approved in principle (US \$)		
				Project funds	Support costs	Total
Botswana	Phase-out of CFC	Germany	1.0	205,000	26,650	231,650
Equatorial Guinea	Phase-out of ODS	UNEP	4.6	180,000	23,400	203,400
Haiti	Phase-out of CFC	UNEP	0.0	190,000	24,700	214,700
		UNDP	2.3	150,000	13,500	163,500
Iraq	Phase-out of ODS	UNEP	0.0	1,641,000	213,330	1,854,330
		UNIDO	1,640.8	4,656,530	349,240	5,005,770
Sierra Leone	Phase-out of ODS	UNEP	0.0	150,000	19,500	169,500
		UNDP	12.2	60,000	5,400	65,400

## Annex II

### ASSESSMENT REPORT ON THE RECOMMENDATIONS IN THE 2004 EVALUATION AND REVIEW OF THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL

#### A. Introduction

1. This report is submitted by the Executive Committee pursuant to the following decision of the Meeting of the Parties:

- (a) “To request the Executive Committee of the Multilateral Fund, within its mandate, to consider the report on the 2004 evaluation and review of the financial mechanism of the Montreal Protocol, with a view to adopting its recommendations, whenever possible, in the process of continuous improvement of the management of the Multilateral Fund, and having in mind the need to contribute to the assessment of the Technology and Economic Assessment Panel of the 2006-2008 replenishment of the Multilateral Fund;
- (b) To request the Executive Committee regularly to report back to and seek guidance from the Parties on the subject. To this effect, the Executive Committee shall submit a preliminary assessment to the Open-ended Working Group at its twenty-fifth meeting and include a component in its annual report to the Meeting of the Parties, on progress made and issues encountered in its consideration of the recommended actions contained in the executive summary of the evaluation report.”

#### (Decision XVI/36)

2. A first report on the recommendations from the 2004 evaluation and review of the financial mechanism of the Montreal Protocol was prepared by the Secretariat for consideration by the Executive Committee at the 45<sup>th</sup> Meeting, as a follow-up to decision 44/60 (document UNEP/OzL.Pro/ExCom/45/51). The report was noted and the Executive Committee decided to “forward its assessment report on the recommendations in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol for consideration at the 25<sup>th</sup> Meeting of the Open-ended Working Group” (decision 45/59).

3. The assessment report (document UNEP/OzL.Pro.WG.1/25/INF/3), based on the deliberations at the 45<sup>th</sup> Meeting, grouped the 28 recommendations contained in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol into three categories, as follows.

#### Category I:

*“...11 general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer and do not need any new action, but instead require regular follow-up at meetings of the Committee. The Executive Committee will report back to the Meeting of the Parties on these recommendations, as appropriate, in the context of its Annual Report”.* These include: recommendations 2, 6, 7, 15, 16, 18, 21, 22, 24, 25 and 28.

#### Category II:

*“Ten general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer but may require new actions in the short term. The Executive Committee will report back to the Meeting of the Parties on these*

*recommendations, as appropriate, in the context of its Annual Report*". These include recommendations: 1, 3, 4, 9, 11, 12, 17, 20, 23 and 26.

Category III:

*"Seven general recommendations were considered not necessary to be implemented. Six because future action would be redundant in the light of recent developments or existing practices. One because of the potential negative incentive. The Executive Committee considers that there is no need for further reporting on these recommendations"*. These include recommendations 5, 8, 10, 13, 14, 19 and 27.

4. The following report therefore covers the recommendations falling under the first two categories where further work needed to be done and new information was available. As reported to the Eighteenth and Twentieth Meeting of the Parties, efforts with respect to recommendations 3, 4, 6, 7, 9, 11, 12, 16, 17, 18, 21, 22, 23, 25, and 28 have taken place on a regular basis as already reported in the past and no further action in addition to the existing practice of the Executive Committee is required. Under this reporting period, the recommendations 15, 20 and 26 do not require further action by the Committee.

## **B. Recommendations under the first two categories**

### **GENERAL RECOMMENDATION 1: Make further structural changes to the Executive Committee, if necessary to specifically address compliance.**

5. Updates on the status of risk of non-compliance by Parties prepared by the Secretariat were considered at the 57<sup>th</sup> and 58<sup>th</sup> Meetings of the Committee. At the 57<sup>th</sup> Meeting, the Executive Committee encouraged Parties to conduct their own compliance risk assessment, making full use of the methodology and indicators developed by the Secretariat. It was also decided to consider further the role of the Secretariat with respect to the assessment of the risks of non-compliance in the context of work programmes on monitoring and evaluation.

**(Decisions 57/5 and 58/4)**

### **GENERAL RECOMMENDATION 2: Continue to evaluate Executive Committee structure and consider reduction of annual meeting numbers.**

6. The 57<sup>th</sup> Meeting considered a report on the issue of the numbers of Executive Committee meetings and decided to maintain the status quo, but asked the Secretariat to organize one four-day meeting within the coming year. The Secretariat was also asked to monitor the time and workload at Meetings of the Executive Committee as compared to meetings of the Parties and of the Open-ended Working Group and to discuss the issue anew at the 61<sup>st</sup> Meeting, taking into account the experience gained.

**(Decision 57/39)**

### **GENERAL RECOMMENDATION 24: Take action to encourage timely payment by the donor countries.**

7. Throughout the reporting period, the Executive Committee urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible and emphasized its concerns in relation to the arrears in contributions to the Multilateral Fund in the light of the 2010 phase-out target.

**(Decisions 57/2 and 58/1)**

## Annex III

AMOUNTS OF HCFC<sup>1</sup> CONSUMPTION PHASED-IN (ODP TONNES)AMOUNTS OF HCFCs<sup>1</sup> CONSUMPTION PHASED-IN (ODP TONNES)

Country	CFC phased out in projects using HCFC technologies	HCFC phased in
Algeria	54.2	5.4
Argentina	740.9	73.4
Bahrain	15.3	1.5
Bolivia (Plurinational State of)	11.0	1.1
Bosnia and Herzegovina	29.1	2.9
Brazil	4,847.3	477.7
Chile	236.6	20.2
China	10,082.9	776.0
Colombia	644.9	63.9
Costa Rica	33.1	3.3
Cuba	0.8	0.1
Dominican Republic	135.3	13.4
Egypt	484.4	37.4
El Salvador	18.3	1.8
Guatemala	45.4	4.5
India	4,500.5	433.3
Indonesia	2,691.0	260.5
Iran (Islamic Republic of)	1,045.5	103.6
Jordan	330.3	32.7
Kenya	22.8	2.3
Lebanon	81.0	8.0
Libyan Arab Jamahiriya (the)	61.5	6.1
Malaysia	1,226.5	118.5
Mauritius	4.2	0.4
Mexico	2,106.3	193.6
Morocco	118.0	11.7
Nicaragua	8.0	0.8
Nigeria	383.2	38.0
Pakistan	781.1	77.4
Panama	14.4	1.4
Paraguay	66.5	6.6
Peru	146.9	14.6
Philippines (the)	518.9	51.4
Romania	192.0	19.0
Serbia	44.2	4.4
Sri Lanka	7.2	0.7
Sudan	4.4	0.4
Syrian Arab Republic	628.4	62.3
Thailand	2,022.6	199.4
The former Yugoslav Republic of Macedonia	75.1	7.4
Tunisia	234.9	20.3
Turkey	372.2	36.9
Uruguay	98.1	9.7
Venezuela (Bolivarian Republic of)	699.1	69.3
Viet Nam	44.4	4.4
Yemen	9.7	1.0
Zimbabwe	11.3	1.1
<b>Total</b>	<b>35,929.6</b>	<b>3,279.8</b>

Note 1: ODP values as follows:

HCFC-123:	0.02
HCFC-22:	0.055
HCFC-141b:	0.11



## ANNEX IV

**INTERIM GUIDELINES FOR THE FUNDING OF DEMONSTRATION PROJECTS FOR THE DISPOSAL OF ODS IN ACCORDANCE WITH PARAGRAPH 2 OF DECISION XX/7**

1. For each separate category of activities for ODS disposal, namely collection, transport, storage and destruction, the definitions are those set out below.
2. The Multilateral Fund will fund a limited number of demonstration projects under the following conditions:
  - (a) No funding will be available for the collection of ODS, except as a contribution to the monitoring of the sources of the ODS for an already existing, separately funded, collection effort for CFCs;
  - (b) A limited number of demonstration projects for ODS disposal related to paragraph 2 of decision XX/7, covering aspects not yet covered by other demonstration projects, will be considered only at the 59<sup>th</sup> Meeting of the Executive Committee for project preparation funding;
  - (c) The funding will be limited to a maximum level of up to US \$13.2/kg of ODS to be destroyed for non-low-volume-consuming countries, on the understanding that this will be based on expectation of high start-up costs for these new activities, and will not constitute a precedent. Should the project not foresee activities related to all of the following areas (transport, storage and destruction), this threshold will be adjusted accordingly;
  - (d) For the disposal of halon and for the disposal of carbon tetrachloride (CTC), funding will be provided for a maximum of one demonstration project each, provided the respective projects have an important demonstration value.
3. Bilateral and implementing agencies will report annually to the first meeting of the Executive Committee each year on progress and experiences gained in demonstration projects on disposal, commencing in the first year after project approval. These reports should cover the amounts of the different ODS collected or identified, transported, stored and destroyed, as well as financial, managerial and co-funding arrangements, and any other relevant issues;
4. Bilateral and implementing agencies are requested, when submitting activities for funding that are related to the disposal of ODS, to provide:
  - (a) In the case of requests for project preparation funding:
    - i. An indication of the category or categories of activities for the disposal of ODS (collection, transport, storage, destruction), which will be included in the project proposal;
    - ii. An indication whether disposal programmes for chemicals related to other multilateral environmental agreements are presently ongoing in the country or planned for the near future, and whether synergies would be possible;
    - iii. An estimate of the amount of each ODS that is meant to be handled within the project;

- iv. The basis for the estimate of the amount of ODS; this estimate should be based on known existing stocks already collected, or collection efforts already at a very advanced and well-documented stage of being set up;
  - v. For collection activities, information regarding existing or near-future, credible collection efforts and programmes that are at an advanced stage of being set up and to which activities under this project would relate;
  - vi. For activities that focus at least partially on CTC or halon, an explanation of how this project might have an important demonstration value;
- (b) In the case of project submissions:
- i. Updated and more detailed information for all issues mentioned under project preparation funding contained in all sub-paragraphs of paragraph 4(a) above;
  - ii. A detailed description of the foreseen management and financial set-up; this should include details such as the total cost of the disposal activity including costs not covered by the Multilateral Fund, the sources of funding for covering these costs, description of the sustainability of the underlying business model, and an identification of time-critical elements of the implementation, which subsequently might be used to monitor progress;
  - iii. A clear indication how the project will secure other sources of funding; these other sources of funding should be available, at least partly, before the end of 2011. In case of activities of the collection type, any other sources of funding necessary in line with sub-paragraph 4(a)(iv) above related to collection would need to be secured before the project is submitted to the Executive Committee;
  - iv. A concept for monitoring the origin of recovered ODS for future destruction, with the objective of discouraging the declaration of virgin ODS as used ODS for destruction. This concept should include or at least allow for external verification of the amounts destroyed, and the costs for its operation should be covered sustainably;
  - v. The project proposal should include valid assurances that the amount of ODS mentioned in the proposal will actually be destroyed, and the agencies should submit proof of destruction with the financial closure of the project;
  - vi. An exploration of other disposal options for the used ODS such as recycling and reuse opportunities;

## DEFINITIONS OF ACTIVITIES INCLUDED IN THE INTERIM GUIDELINES FOR THE FUNDING OF DEMONSTRATION PROJECTS FOR THE DISPOSAL OF ODS

### Definitions and characterization

1. For the purposes of these guidelines, “Collection” will be defined as aggregating a significant quantity of ODS, in relatively uncontaminated liquid form, at a site usable for interim storage in suitable leak-tight containers/cylinders ready for transport. The significant quantity of ODS to be aggregated under “collection” shall be the equivalent in terms of direct climate impact of 145 tonnes of CO<sub>2</sub>. This is on the basis of the mass of CFC-12 contained in a refrigerant cylinder of 13.6 kg (standard refrigerant container), multiplied by the GWP of CFC-12 of 10,720. The relation to climate change implied in this concept is based on decision XX/7 of the Twentieth Meeting of the Parties, which underlined the intention of achieving climate benefits. This translates into, e.g. 31.2 kg (metric) of CFC-11, 113.9 kg (metric) of halon 1211, 21.5 kg (metric) of halon 1301 or 105.7 kg (metric) of CTC.
2. The definition of “Transport” will cover the aggregation of quantities required for destruction or economic long-distance transportation, starting with quantities of no less than the equivalent of 145 tonnes of CO<sub>2</sub>, the transportation itself, as well as arranging the necessary procedures.
3. “Destruction” will cover the process from the arrival of bulk ODS at the facility to its physical destruction as defined in decisions IV/11, V/26, VII/35 and XIV/6, of the Meetings of the Parties.
4. “Storage” will cover the storage of ODS in suitable containers at suitable locations beginning with quantities equivalent to 145 tonnes of CO<sub>2</sub> for the time required to arrange for suitable transport, destruction or recycling/reclamation.
5. The following paragraphs illustrate the four categories of activities to make the requirements for each transparent. What activities are necessary and effective, and how they should be funded, is to be determined in each individual case.

### Collection

6. Based on the above definition, “Collection” includes all efforts to extract ODS from an application or a product. In addition, for products that contain less ODS than specified as “significant”, it will include aggregating the extracted ODS until the necessary quantity is reached. Collection will therefore cover, for example:
  - (a) The collection of refrigerators, their transport to a central disassembly or recycling site, and extracting the CFCs from the refrigerators, compressing and transferring them into a transport container;
  - (b) Similarly, it will cover the transport of foam, extraction of CFC-11 from it and transferring it into a suitable container; and
  - (c) It will also cover the collection of small halon cylinders and their refilling into transport containers, or the recovery of CFCs from a supermarket refrigeration system of 13.6 kg or more of CFC-12 content or a respective amount of other refrigerants with the same climate impact.

7. The effort necessary to collect ODS will depend on:
- (a) The level of integration of ODS with the product, i.e. if the ODS can be recovered at the location of the product, or if the product needs to be transported to a central recovery facility; in the latter case, volume and weight of the product vs. the amount of recoverable ODS are also important factors;
  - (b) The geographical distribution of equipment containing ODS, and the amount of ODS contained in the equipment; and
  - (c) Its environmental impact, measured in ozone depletion potential (ODP) and greenhouse warming potential (GWP).
8. As defined here, “Collection” is the category of activity where the decisions are being made on whether the environmental impact of the ODS in the product surpasses the economic and/or ecological cost of its collection, and whether specific approaches for collection would fit into the economics of a planned project or activity. At the present point in time, ODS for some sub-sectors, e.g. building foams, are not collected systematically in any country because of economic and logistics considerations. In other cases, other considerations facilitate the collection of ODS, e.g. the need to collect and dispose of old refrigerators in the event of an energy-efficiency driven refrigerator replacement programme.

#### Transport

9. Based on the above definition for “Collection”, “Transport” includes the actual transportation of significant quantities, as defined above, in transport containers, both within a country as well as, where necessary, transboundary transport. Furthermore, where applicable, necessary efforts to transfer ODS from containers for collection to potentially larger transport units, e.g. 13.6 kg cylinders of CFC-12 to 720 kg transport containers, and tests for substances contained for the purpose of labelling or to avoid undesired mixing will be needed. Transport would therefore cover, for example:
- (a) The transportation of collected, contaminated refrigerant in cylinders from recovery/recycling centres in a country to a central location in the country for subsequent further transport;
  - (b) The transportation of halon 1301 in transport cylinders of 21.5 kg or above from building sites to destruction facilities; and
  - (c) Arranging of export/import and transit permits, where applicable consistent with the Basel Convention, to prepare for transporting from a national storage site to a destruction facility in another country.

10. Paragraph 6 of decision XX/7 of the Twentieth Meeting of the Parties specifically notes that “... any project implemented pursuant to the present decision when applicable should be done in conformity with national, regional, and/or international requirements, such as those mandated by the Basel Convention and Rotterdam Convention”.

#### Destruction

11. Based on the definitions for “Collection” and “Transport” above, “Destruction” covers preparation of ODS for destruction and the actual destruction itself, using destruction technologies approved by the Meeting of the Parties and operating them taking into account the Code of Good

Housekeeping as per Annex III to the report of the Fifteenth Meeting of the Parties. It would therefore cover, for example:

- (a) The testing of ODS containers for composition, determining the exact content and the contaminants. This could serve to identify impurities in case of destruction facilities being sensitive to contamination, as well as necessary purification processes; at the same time, this allows exact determination of the quantities of the different substances being destroyed, e.g. to serve the reporting needs under Article 7 of the Montreal Protocol, as well as other monitoring needs where exact quantification of substances may be of importance;
- (b) Destruction of CTC from by-production of other chloro-methanes on-line with the chloro-methane production process;
- (c) Minor changes to existing facilities;
- (d) Environmental assessments and application for permits, including, where applicable and required, continuous monitoring of the environmental impact; and
- (e) Destruction of ODS and measurement of the effectiveness of destruction.

12. In the course of project review the Secretariat will need to pay particular attention to the assessment of the cost efficiency of destruction activities given that there appears to be a large amount of destruction capacity available at competitive prices. Agencies should therefore be encouraged to discuss related matters with the Multilateral Fund Secretariat early on during the project preparation phase to avoid a project design based on funding expectations which might not be seen as eligible once the project is assessed.

#### Storage

13. Based on the above definitions, "Storage" includes all requirements for proper storage such as e.g. suitable containers and storage sites, as well as the necessary supervision, storage permits, and environmental assessments where applicable.

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