



**Seventeenth Meeting of the Parties
to the Montreal Protocol on Substances
that Deplete the Ozone Layer**
Dakar, 12–16 December 2005

Item 4 (b)(ii) of the provisional agenda of the preparatory segment*

**REPORT OF THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR
THE IMPLEMENTATION OF THE MONTREAL PROTOCOL TO THE
SEVENTEENTH 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 Executive Committee to report annually to the Meeting of the Parties. The present report, which covers the activities undertaken by the Executive Committee since the Sixteenth Meeting of the Parties, is submitted in fulfilment of that requirement. The report includes three annexes: Annex I containing tables with data on project approvals; Annex II containing an assessment report on implementation of the recommendations in the 2004 evaluation and review of the financial mechanism; and Annex III showing the amounts of HCFC consumption phased in.

2. During the reporting period, the 44th Meeting of the Executive Committee was held in Prague from 29 November to 3 December 2004, and the 45th, 46th and 47th Meetings were held in Montreal, from 4 to 8 April 2005, 4 to 8 July 2005, and 21 to 25 November 2005, respectively. The reports of those meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/44/73 and Corr.1, UNEP/OzL.Pro/ExCom/45/55, UNEP/OzL.Pro/ExCom/46/47, and UNEP/OzL.Pro/ExCom/47/61 respectively.

3. In accordance with decision XV/46 of the Fifteenth Meeting of the Parties, the 44th Meeting of the Executive Committee was attended by Austria (Vice-Chair), Belgium,

*UNEP/OzL.Conv.7/1-UNEP/OzL.Pro.17/1.

Canada, Hungary, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Argentina (Chair), Bangladesh, China, Cuba, the Islamic Republic of Iran, Mauritius and Niger representing Parties operating under paragraph 1 of Article 5.

4. In accordance with decision XVI/43 of the Sixteenth Meeting of the Parties, the 45th, 46th and 47th Meetings of the Executive Committee were attended by Austria (Chair), Belgium, Canada, the Czech Republic, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Brazil, Cuba, Niger, the Syrian Arab Republic (Vice-Chair), Thailand, the former Yugoslav Republic of Macedonia and Zambia, representing Parties operating under paragraph 1 of Article 5.

5. The 44th Meeting was chaired by Ms. Marcia Levaggi (Argentina), with Mr. Paul Krajnik (Austria) acting as Vice-Chair. The 45th, 46th and 47th Meetings were chaired by Mr. Paul Krajnik (Austria), with Mr. Khaled Klaly (Syrian Arab Republic) acting as Vice-Chair. Ms. Maria Nolan, Chief Officer, acted as Secretary for the meetings.

A. Procedural matters

Operation of the Executive Committee

6. The Executive Committee operated without sub-committees pursuant to decision 41/92 taken at the 41st Meeting. The new regime was introduced on a trial basis for a year and the Secretariat was requested to submit a report on its operation to the 44th Meeting. At its 44th Meeting, the Executive Committee decided to continue to meet in plenary and requested the Secretariat to prepare a document compiling the views of Committee members on the financial implications for reducing the number of Executive Committee Meetings and establishing an intersessional procedure. At its 45th Meeting, the Committee examined the financial implications of reducing the number of meetings per year and decided that, in light of the continuing heavy workload, the Executive Committee would continue to meet three times a year. The 46th Meeting also considered the proposals for the creation of an intersessional approval procedure but decided to reconsider the issue at its 50th Meeting.

Subgroup on the Production Sector

7. The Subgroup on the Production Sector composed of Bangladesh, Canada (facilitator), China, Cuba, Japan, Mauritius, the United Kingdom of Great Britain and Northern Ireland and the United States of America met in the margins of the 44th Meeting. Pursuant to decision 45/1, the Executive Committee reconstituted the Subgroup at its 45th Meeting with the following composition: Brazil, Canada (facilitator), Japan, the Syrian Arab Republic, Thailand, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Subgroup met in the margins of the 45th, 46th and 47th Meetings of the Executive Committee. The Executive Committee agreed to expand the membership of the Subgroup on the Production Sector for the 47th Meeting to representatives of Austria and The former Yugoslav Republic of Macedonia.

B. Financial matters

Status of contributions and disbursements

8. As at 18 November 2005, the total income to the Multilateral Fund, including cash payments, promissory notes, bilateral cooperation credits, interest and miscellaneous income, amounted to US \$2,017,158,914, and the total disbursement, including provisions, amounted to US \$1,901,216,054. The balance available at 18 November 2005 therefore amounted to US \$115,942,860.

9. The yearly distribution of contributions against pledges is as follows:

Table 1

Year	Pledged contributions US \$	Total payments US \$	Arrears/outstanding pledges US \$
1991 – 1993	234,929,241	210,359,139	24,570,102
1994 – 1996	424,841,347	393,465,069	31,376,278
1997 – 1999	472,567,009	429,482,990	43,084,019
2000-2002	440,000,001	429,113,771	10,886,230
2003-2005	474,000,001	404,036,736	s69,963,265
Total:	2,046,337,599	1,866,457,705	179,879,894

Note: As of 18 November 2005

Contributions in arrears

10. As at 18 November 2005, the accumulated arrears for 1991-2005 stood at US \$ 179,879,894. Of this amount, US \$103,746,599 is associated with countries with economies in transition (CEITs), and US \$76,133,295 is associated with non-CEIT countries. Outstanding contributions for 2005 amounted to US \$ 61,963,369.

Interest collected during the 2003-2005 triennium

11. As at 18 November 2005, the total amount of interest recorded in the Treasurer's accounts amounted to US \$11,634,837 for the years 2003 and 2004.

Bilateral contributions

12. During the reporting period, the Executive Committee approved requests by Canada, France, Germany, Italy, Japan, Portugal, Spain, Sweden, Switzerland and the United States of America to credit bilateral assistance amounting to a total of US \$32,261,826. This brings the total for bilateral cooperation to US \$98,961,137, which represents approximately 5.3 per cent of funds approved. The range of bilateral projects approved included *inter alia* refrigerant management plan (RMP) updates; terminal phase-out management plans for CFCs (TPMP); national CFC phase-out management plans; CTC phase-out plans; ODS phase-out plans; refrigeration servicing sector CFC phase-out plans; a CFCs, CTC, and halon accelerated phase-out plan; phase-out plans for methyl bromide; an umbrella project for the foam sector; project preparation for terminal phase-out plans; and communication and support activities.

Issues pertaining to contributions

Timely payment by donor countries

13. The issue of timely payment by donor countries was discussed at all the Meetings during the period covered by the present report. The 45th Meeting also requested the Chair to send letters to those donor countries that had arrears, up to and including 2004, to ask them to indicate when they would be able to meet their commitments.

14. At the 47th Meeting, the Chair reported on the follow-up to decision 45/2, indicating that he had sent letters to 18 countries, only one of which had replied. The Mission of the United States of America to the International Civil Aviation Organization in Montreal had replied that some of the amount recorded as outstanding was being withheld as mandated by section 307 of the Foreign Assistance Act of 1961 as amended and related to its share of projects approved for certain proscribed countries. The Chair had requested the United States Government to provide details on a yearly basis and had drawn attention to the financial implications as the amounts approved for the proscribed States had been reported as spent by the implementing agencies.

Promissory notes

15. At the 45th Meeting, the Executive Committee heard a report on the proportion of contributions being made in promissory notes. Although some implementing agencies accepted promissory notes, others preferred to have the Treasurer hold onto them and then cash them as needed, which sometimes caused delays in the transfer of funds from the Treasurer to the implementing agencies. In its decision 45/59, the Executive Committee requested the Treasurer, prior to each meeting, to circulate to the Secretariat and to the implementing agencies a ledger indicating when promissory notes had been transferred, received and encashed.

Fixed-exchange-rate-mechanism (FERM)

16. The Executive Committee heard reports on the losses and gains of the FERM at all of its Meetings during the period covered by this report. Gains as a result of the FERM for the period 2003-2005 were US \$22,461,163. This results in a total gain of US \$7,795,878 once the losses prior to 2003 had been discounted.

Accounts of the Multilateral Fund

2003 accounts of the Multilateral Fund

17. The 44th Meeting took note of the 2003 accounts and decided to continue its practice of recording any changes reported by implementing agencies to a previous period's expenditure as part of the current period's transactions. The Treasurer was directed to review the pertinent aspects of the implementing agency agreements to address the issue of new cash advances being granted when old ones had not been fully accounted for. At the 45th Meeting the Treasurer also clarified that, in respect of cash advances, the Treasurer's role was limited to net transfers.

2004 accounts

18. At its 46th Meeting, the Executive Committee took note of the provisional accounts for 2004. The final accounts were submitted to the 47th Meeting.

19. In relation to the delayed encashment of promissory notes, the Executive Committee, at its 44th Meeting, requested the Treasurer to make the necessary adjustments to ensure that sufficient funds would be available to implementing agencies to cover the approvals made by the Executive Committee.

Reconciliation of the 2002, 2003 and 2004 accounts

20. The 44th Meeting requested that the Treasurer, the implementing agencies and the Secretariat hold a workshop on common terminology and procedures for the reconciliation of accounts and to clarify usage of terms and procedures. The Secretariat submitted the report of the workshop at its 45th Meeting, which asked that further work be carried out to finalize both the detailed description of procedures, and the roles and responsibilities for the reconciliation of accounts. In this context, the Executive Committee requested that draft agreements between the implementing agencies and the Treasurer be prepared for review and endorsement by the Executive Committee. The Secretariat submitted the draft texts of the agreements between the Treasurer and the implementing agencies to the 46th Meeting and the Executive Committee, which endorsed them. The Committee also requested that the Treasurer prepare an information document on internal practices and procedures for the 46th Meeting. The Secretariat presented the document and informed the Committee that a manual is being finalized for internal use only.

21. The 47th Meeting noted the reconciliation of the 2003 and 2004 accounts. The data in the Fund Secretariat's Inventory of Approved Projects were reconciled within US \$9 with the implementing agencies 2004 progress reports for approvals amounting to US \$1.87 billion. As a follow-up to the 2004 reconciliation, the Executive Committee requested the Secretariat, in cooperation with the Treasurer and the implementing agencies, to submit a report to the 48th Meeting on options for a consistent approach to the application of miscellaneous income, exchange rate losses and gains and bank charges for funds approved by the Executive Committee, together with any consequences from alternative approaches.

Budgets for the Fund Secretariat for 2005, 2006, 2007 and 2008

22. The 44th Meeting considered the revised budgets for the Fund Secretariat for 2005 and 2006 and the proposed budget for the salary component for 2007. The Executive Committee adopted the revised budget for 2005 at an amount of US \$3,867,547, the revised 2006 budget totalling US \$2,563,624 and the proposed 2007 salary component of the budget at an amount of US \$2,676,214.

23. The 47th Meeting considered the revised 2006 and 2007 budgets of the Fund Secretariat and the proposed budget for the salary component for 2008. The Executive Committee adopted the revised budget for 2006 at an amount of US \$3,572,455, the revised 2007 budget totalling US \$2,778,803 and the proposed 2008 salary component of the budget at an amount of US \$2,898,976.

24. It also discussed the distribution of the functions of the Treasurer between the P4 and P5 posts and agreed to withhold an amount of US \$100,000 from its next transfer of US \$500,000 to UNEP as Treasurer pending a report from the Secretariat on the issue to be submitted to its 48th Meeting.

C. Business planning and resource management

2005-2007 business plans of the Multilateral Fund

25. At its 45th Meeting, the Executive Committee considered the consolidated 2005-2007 business plan of the Multilateral Fund, as well as those of the four implementing agencies and of non-Article 5 countries that had bilateral cooperation programmes. The plans covered a total of US \$244.5 million in projects and activities for 2005. The Executive Committee urged bilateral and implementing agencies to increase their efforts to implement approved projects to phase out 96,734 ODP tonnes of consumption and production of controlled substances in 2005.

26. At the 45th Meeting, the Executive Committee decided that HCFC surveys could be included in the business plans on the understanding that the goal of the surveys was to enable the Executive Committee to establish an eligible national aggregate level of HCFC consumption against which proposals would be funded. The Committee also decided to maintain metered dose inhaler transition strategies in countries with no remaining funding eligibility.

27. At its 46th Meeting, the Executive Committee considered a report on the status of implementation of the 2005 business plans. It noted with concern the number of proposals to be submitted to the 47th Meeting. It urged bilateral and multilateral agencies with projects in the 2005 business plans for countries subject to decisions of the Meeting of the Parties on compliance to submit those projects to the 47th Meeting.

28. The 47th Meeting noted that the value of forward commitments approved at the meeting of US \$25,536,111 exceeded the value in the 2005-2007 business plan of the Multilateral Fund by US \$9,850,919. The Committee requested bilateral and implementing agencies with projects in their 2005 business plans required for compliance to consider including those activities in their 2006-2008 business plans.

Core unit funding

29. The 44th Meeting discussed the need for a review of the current administrative cost regime and approved US \$1.5 million each for core unit funding for UNDP, UNIDO and the World Bank. At its 46th Meeting, the Executive Committee decided to extend the administrative cost regime for the 2006-2008 triennium and at its 47th Meeting, the Executive Committee approved core unit funding of US \$1.7 million for UNDP and UNIDO and US \$1.5 million for the World Bank.

Chiller projects

30. At its 45th Meeting, in the light of decision XVI/13 of the Sixteenth Meeting of the Parties, the Executive Committee decided to establish a funding window amounting to US \$15.2 million for the chiller sector in 2005. The Executive Committee considered, at its 46th Meeting, a study on criteria and modalities for chiller demonstration projects to be prepared pursuant to decision XVI/13. Based on discussions, the Executive Committee decided to utilize the funding window of US \$15.2 million for additional demonstration projects in the chiller sub-sector, on the understanding that no further funding for chiller replacement would be approved by the Executive Committee. A number of conditions for investment projects would be applied such as: the relevant countries should have enacted and be enforcing legislation to phase out ODS; the maximum Multilateral Fund grant to a country would be US \$1,000,000; and, as the projects were intended to use financial resources outside the Multilateral Fund (such as national programmes, the Global Environment Facility or other sources), the credibility of those financial resources should be indicated when the project was submitted for approval by the Executive Committee.

31. The Executive Committee approved funding for preparation of chiller projects by the multilateral implementing agencies to cover the development of project methodologies and demonstration project proposals, to be prioritized according to a number of specific criteria to facilitate the decision-making process of the Executive Committee. The Committee also asked UNEP to submit a global information project proposal covering relevant chiller information, including dissemination and awareness activities, with the objective of disseminating the experience gained in the demonstration projects globally. The Secretariat subsequently reviewed the project proposal submitted by UNEP and requested UNEP to revise it for submission to its 48th Meeting.

32. At its 47th Meeting, the Executive Committee approved seven chiller demonstration project proposals for a number of countries, submitted by UNDP, UNIDO, the World Bank, and Canada, amounting to US \$12,524,000 plus support costs of US \$950,128, with external resources of US \$16,269,719 covering the replacement of at least 211 chillers and the conversion of further 9 chillers. The Committee also agreed to assign US \$200,000 to UNEP for the awareness project to be submitted to the 48th Meeting and to set aside US \$2,000,000 for demonstration projects in the Africa Region.

2004 and 2005 work programmes

33. The 44th Meeting approved amendments to the 2004 work programmes of the implementing agencies, subject to a certain number of criteria and comments relating to individual projects. The 45th Meeting approved the 2005 work programmes of UNDP, UNIDO and the World Bank and amendments to the 2005 work programmes of UNEP. The 46th and 47th Meetings subsequently approved amendments to the 2005 work programmes of the implementing agencies, subject to a certain number of criteria and comments relating to individual projects.

Balances and the availability of resources

34. The issue of the project funds and support costs returned from completed and cancelled projects was discussed at all the meetings during this period and the amounts returned by the agencies were noted by the Committee. US \$25.2 million was returned by the implementing agencies in 2003-2005 including funds returned by bilateral agencies for projects approved during the triennium.

Model rolling three-year phase-out plans: 2005-2007 and 2006-2008

35. At its 44th Meeting, the Executive Committee considered an updated model plan for the years 2005-2007. The Executive Committee adopted the model plan as a flexible guide for resource planning to phase out eligible ODS for the corresponding triennium and requested the Secretariat to present an undated model rolling phase-out plan for the years 2006-2008 to the 47th Meeting. At its 47th Meeting, the Executive Committee adopted the updated model plan and urged Article 5 countries with approved projects not yet implemented and cooperating bilateral and implementing agencies to accelerate the pace of implementation during the 2006-2008 triennium. The Secretariat was requested to present an updated model three-year rolling phase-out plan for 2007-2010 to the 50th Meeting of the Executive Committee.

Funding window to accelerate phase-out and maintain momentum

36. The Executive Committee decided, at its 44th Meeting, that the need for a special funding window for accelerated phase-out would be based on the availability of funds remaining after considering the funding required for projects to meet compliance needs.

D. Fund achievement

Total ODS phased out

37. Since 1991, 4,973 projects and activities (excluding cancelled and transferred projects) have been approved with the following geographical distribution: 2,180 projects and activities for countries in Asia and the Pacific; 1,273 for countries in Latin America and the Caribbean, 1,002 for countries in Africa, 263 for countries in Europe and 255 with global coverage. Of the 346,726 ODP tonnes of ODS to be eliminated through implementation of these projects, a total of 244,397 ODP tonnes of ODS had already been phased out by the end of 2004. The sectoral distribution of this phase-out within the consumption and production sectors is indicated in table 1 of Annex I.

Funding and disbursement

38. The total funds approved since 1991 by the Executive Committee to achieve this phase-out and to implement both ongoing investment projects and all non-investment projects and activities were US \$1,783,359,283 plus US \$194,244,502 for agency support costs. Of the total project funds approved the amounts allocated to, and disbursed by, each of the implementing agencies and bilateral agencies, are indicated in table 2 below:

Table 2

Agency	US\$ approved (1)	US\$ disbursed (2)
UNDP	485,650,501	368,747,397
UNEP	97,879,748	72,914,862
UNIDO	412,167,406	311,661,847
World Bank	761,035,050	575,806,578
Bilateral	98,961,137	52,874,107
Total	1,855,693,841	1,382,004,791

(1) As at 1 November 2005

(2) As at 31 December 2004

Projects and activities approved during the reporting period (covering the 44th, 45th, 46th and 47th Meetings of the Executive Committee)

39. During the reporting period, the Executive Committee approved a total of 474 additional projects and activities, with a planned phase-out of 75,221 ODP tonnes of production and consumption of controlled substances. It approved US \$317,867,007 including US \$32,174,168 for agency support costs, for their implementation, as follows:

Table 3

Agency	US \$ approved	US \$ support	US \$ total
UNDP	47,241,554	6,948,841	54,190,395
UNEP	24,639,460	1,804,009	26,443,469
UNIDO	63,508,689	7,987,298	71,495,987
World Bank	121,090,170	12,385,160	133,475,330
Bilateral	29,212,966	3,048,860	32,261,826
Total	285,692,839	32,174,168	317,867,007

Investment projects

40. Of the total funds approved in the relevant period, the Executive Committee allocated US \$264,999,965 for the implementation of investment and demonstration projects which will eliminate an estimated quantity of 74,767 ODP tonnes in consumption and production of ODS when implemented.

41. A breakdown by sector is given in table 2 of Annex I.

42. During the period since the 43rd Meeting the Executive Committee approved 23 new multi-year agreements, with commitments in principle totalling US \$101,315,421. Details of the amounts per country and sector can be found in table 3 of Annex I. Revisions to seven agreements were also approved during this period to *inter alia*, add additional phase-out activities, revise phase-out schedules and modify implementing agency roles.

Production sector

43. The facilitator of the Subgroup on the Production Sector reported to the 44th Meeting on the Subgroup's work, following which the Executive Committee approved in principle agreements to accelerate the phase-out of CFC, CTC and halon 1301 production in China and to phase-out CFC production in Venezuela. The Executive Committee also decided to approve funds totalling US \$60,000 to supplement the Secretariat's account for technical audits.

44. At its 45th Meeting, the Executive Committee also approved US \$40,000 for project preparation of the methyl bromide production phase-out project in China and US \$25,000 for project preparation of the ODS phase-out project in Romania, plus related support costs. Based on the outcome of the Subgroup's discussions of a technical audit on the ODS production sector in Romania, held in the margins of the 46th Meeting, the Executive Committee requested UNIDO to take into account the findings of the audit report when preparing an investment project for Romania.

45. The Subgroup met in the margins of the 47th Meeting and, following its recommendations, the Executive Committee approved the agreement for the Romania ODS production sector at a total level of US \$6.3 million, in principle. It also approved the agreement for phasing out methyl bromide production for controlled uses in China at a total level of funding of US \$9.79 million, in principle. The sector plan for phase-out of ODS process agent applications and corresponding CTC production in China was approved, in principle, at a total level of funding of US \$46.5 million. Approval of the funding for the phase-out of CTC production in China and Romania was subject to certain provisos, and the Agreement between the Executive Committee and the Government of China would be presented for approval at the 48th Meeting.

Non-investment activities

Technical assistance and training

46. During the period since the 43rd Meeting, 145 technical assistance and training projects amounting to US \$38,883,222 were approved, bringing the number of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total cost of US \$197,443,850. This amount does not include the non-investment components of the multi-year phase-out agreements.

Compliance Assistance Programme (CAP)

47. The 44th Meeting of the Executive Committee approved the 2005 budget for UNEP's compliance assistance programme (CAP) amounting to US \$7,157,544 plus US \$572,604 for agency support costs, on the understanding that there would be provision within the budget for a halon officer for the West Asia region, and for a half-time general service post as assistant to the Regional Network Coordinator for Europe and Central Africa, and that any additional professional position for the West Asia region would be funded from within the CAP budget. The approval of the budget was also conditional on a reduction of US \$40,000 to the level for temporary assistance to establish the CAP, and approval of the programme line on sub-

contracting for a one-year trial period at the conclusion of which UNEP would report to the Executive Committee on the sub-contracts entered into at the regional level. The Executive Committee also requested UNEP to continue reporting to the Executive Committee on the actual allocation and use of the 8 per cent support costs between support services pertaining to the implementation of the CAP and the administrative support costs charged by the United Nations Office at Nairobi.

48. The Executive Committee, at its 47th Meeting, approved the CAP budget for 2006 at the amount of US \$7,770,000 plus support costs of US \$621,600 on the condition that UNEP would not in future seek separate funding through work programme amendments for awareness or public information activities, including the regional awareness programme previously funded at US \$200,000 per year, and would include in the annex to the CAP budget details regarding the use of all funds that support global awareness activities. Requests for future increases in the CAP budget would be limited to 3 per cent, unless the Executive Committee was given evidence that inflationary pressures justify otherwise. UNEP was encouraged to continue extending the prioritization of funding between CAP budget lines in order to accommodate changing priorities. The Secretariat was requested to liaise with UNEP and monitor the return of unspent funds in accordance with Executive Committee decision 35/36(d).

Institutional strengthening

49. During the reporting period, US \$11,303,885 were approved for institutional strengthening and for renewal of institutional strengthening projects in 99 countries. This brings the total approvals by the Executive Committee to US \$55,486,017 for institutional strengthening projects in 138 Article 5 countries.

Country programmes

50. Country programmes were approved during the reporting period for Afghanistan, Bhutan, Cape Verde and Sao Tome and Principe. In addition, a country programme update was approved for Tunisia. The total number of approved country programmes thus rose to 137, covering the estimated baseline production of 140,088.1 ODP tonnes of CFCs and halons and baseline consumption of 196,112.2 ODP tonnes of controlled substances (as reported to the Fund Secretariat by Article 5 countries).

E. Monitoring of project implementation

Progress reports

51. At its 46th Meeting, the Executive Committee took note of the progress report on bilateral cooperation, the progress reports of the implementing agencies and the consolidated progress report prepared by the Secretariat, as at 31 December 2004.

52. The Executive Committee noted that the 2004 progress reports showed a slow rate of project completion and a lower level of phase-out than planned and encouraged bilateral implementing agencies and Article 5 countries to expedite project implementation.

53. The 46th Meeting also requested the Secretariat, in collaboration with the bilateral and implementing agencies, to address the issue of how to account for progress in the implementation of projects with annual funding tranches and to prepare a discussion paper outlining new options for monitoring and assessing the progress of implementing agencies with regard to multi-year agreements.

Project implementation delays

54. During the period since the 43rd Meeting, the Executive Committee continued to monitor closely projects with implementation delays and noted that the Secretariat would take the established action according to its assessment of status and would notify the governments and implementing agencies concerned.

55. At the 46th Meeting, the Executive Committee considered a report containing data submitted by the implementing agencies that indicated that many of the problems associated with implementation delays could be resolved either during project preparation or through liaison with the countries and beneficiaries concerned. The Executive Committee took note of the report and encouraged bilateral and implementing agencies to take the findings into account during future project design and implementation.

56. The 47th Meeting noted that policy and technical assistance projects were not subject to the procedure for project cancellation. It requested the Secretariat to write to the relevant country or agency when policy and technical assistance projects were suffering persistent delays expressing concern and requesting an update on the status of the project, an estimated date of completion and an action plan for the future completion.

Completed projects with balances

57. During the reporting period, up to and including the 47th Meeting, the implementing agencies returned a total of US \$8,973,065 to the Multilateral Fund from completed and cancelled projects, as indicated in table 3 below:

Table 3

Agency	Total funds returned (US \$)	Total support cost returned (US \$)
UNDP	833,436	107,291
UNEP	1,542,846	176,548
UNIDO	1,364,740	46,834
World Bank	4,271,824	529,546
Total	8,012,846	960,219

Implementation of monitoring and evaluation work programmes

Final evaluation report on halon banking projects for countries with low volumes of installed capacities

58. At its 44th Meeting the Executive Committee discussed the final evaluation report on halon banking for countries with low volumes of installed capacities. The report showed that, with few exceptions, countries with halon management projects had reduced their consumption in accordance with the Montreal Protocol or in advance of the schedule. In view of the particularly high ODP values of halons, the Executive Committee decided to continue to consider funding for countries with low volumes of installed halon capacities with some degree of flexibility. Taking into account that flexibility, the Executive Committee decided to allow the submission of halon banking update projects for countries that had received less than US \$50,000 for halon banking.

59. The 44th Meeting also decided that countries with low volumes of installed halon capacities should concentrate project activities on stakeholders' workshops, training, development of import controls/bans and awareness raising, and consider the usefulness of the creation of a regional clearing house for providing information on sources for recycled halons and on other alternatives.

2004 and 2005 consolidated project completion reports

60. The 44th Meeting considered the 2004 consolidated project completion report, which indicated that a number of project completion reports (PCRs) were outstanding. The Executive Committee requested the implementing agencies to provide the information still missing in a number of project completion reports and clear the backlog for projects completed before the end of 2000 by the end of January 2005.

61. The 2005 consolidated project completion report was considered by the 47th Meeting. The implementing and bilateral agencies were requested *inter alia* to provide the information still missing in a number of PCRs and to clear the backlog of PCRs for projects completed before the end of 2002 by the end of January 2006, as well as providing information on why PCRs had not been submitted. The Executive Committee also requested the Senior Monitoring and Evaluation Officer, in cooperation with the implementing agencies, to develop guidelines for project completion reports on non-investment projects with particular attention to improving the "lessons learned" component. It also requested a short report containing concrete recommendations on how to make best use of those lessons, to be reviewed by the Executive Committee at its 48th Meeting.

Evaluation of customs officers training and licensing system projects

62. The 44th Meeting noted the desk study on the evaluation of customs officer training and licensing system projects. At its 45th Meeting, the Executive Committee considered a report on the evaluation of customs officer training and licensing system projects, which outlined the licensing systems in the countries visited, the customs procedures, the illegal imports detected, the training courses conducted, the refrigerant identifiers delivered, the experiences reported and

the improvements suggested. Following a revision, as requested by the Executive Committee, the report was submitted to the 25th Meeting of the Open-ended Working Group, which decided to forward it to the Seventeenth Meeting of the Parties.

Extended desk study on the evaluation of national phase-out plans

63. At its 45th Meeting, the Executive Committee considered a desk study on the evaluation of national phase-out plans. The Executive Committee decided that the follow-up phase of the evaluation should take into account the fact that in many countries delays were caused by administrative problems related to the development of new processes and procedures. It should also take into account the cost of independent verification and the fact that the levels of ODS phase-out were not directly proportional to the levels of disbursement.

Final report on the evaluation of methyl bromide projects

64. At its 46th Meeting, the Executive Committee considered the final report on the evaluation of methyl bromide projects, which included both a desk study and field visits. A major problem facing methyl bromide phase-out projects was that some users were not convinced that there was an economically competitive replacement for methyl bromide. The Executive Committee urged bilateral and implementing agencies and countries to examine the long-term sustainability and economic viability of alternatives to methyl bromide in more detail and to involve all key stakeholders more fully. The Executive Committee also urged bilateral and implementing agencies to assist government authorities to develop policy measures from the onset of project implementation. Bilateral and implementing agencies were requested to explore the feasibility of regional agreements between Article 5 countries facing similar issues in order to facilitate the phase-out, standardize regulations and minimize the risk of illegal trade.

Desk study on non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform

65. At its 46th Meeting, the Executive Committee considered a desk study on non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform, which responded to concerns that had been expressed at the 43rd Meeting on implementation delays and the possibility that they could contribute to non-compliance. The Executive Committee requested that the desk study be followed by a full analysis and follow-up study on cases of non-compliance, including field visits, be included in the monitoring and evaluation work programme for 2006.

Monitoring and evaluation work programme for 2005 and 2006

66. The 44th Meeting approved the work programme for monitoring and evaluation at a budget of US \$246,000. The 2005 work programme included an evaluation of refrigerant management plans (RMPs) in non-low-volume-consuming countries, an evaluation of methyl bromide projects, a desk study on the evaluation of national phase-out plans (NPPs), and a desk study on non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform. At its 46th Meeting, the Executive Committee decided to add US \$80,000 to the budget for the 2005 monitoring and evaluation work programme for the preparation of

country case studies for the evaluation of national and sectoral phase-out plans in the second half of 2005, combined with the evaluation of refrigerant management plans in non-low-volume-consuming countries.

67. The proposed 2006 work programme for monitoring and evaluation was approved by the 47th Meeting at a budget of US \$346,000. The work programme covered evaluations of RMPs and NPPs in non-low-volume-consuming countries and of cases of non-compliance, both of which had been initiated in 2005 and two new activities: an evaluation of CTC phase-out projects and agreements; and an evaluation of the Compliance Assistance Programme (CAP) implemented by UNEP.

F. Potential non-compliance with the initial and intermediate control measures of the Montreal Protocol

Status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol

68. The Executive Committee considered reports on the status of Article 5 countries in achieving compliance with the initial and intermediate measures of the Montreal Protocol at each of its four meetings during the reporting period. In order to address the eligible consumption highlighted in the report, the Executive Committee requested the bilateral and implementing agencies to include in their 2005-2007 business plans activities for countries in non-compliance or at risk of non-compliance with specific Montreal Protocol control measures.

69. At its 46th meeting the Executive Committee requested the Secretariat to reformat the report to focus on actual and potential compliance issues, to address the 85 per cent reduction for CFCs in 2007 and to include a report on all Article 5 countries and not just those being supported by the Multilateral Fund. The report submitted to the 47th Meeting indicated that, based on use data reported in the context of the implementation of country programmes, projects and agreements were in place for the elimination of all but some 12,610 ODP tonnes of ozone-depleting substances.

Enhancing capacity-building in developing country National Ozone Units

70. The Executive Committee, at its 44th and 45th Meetings, considered a proposal by the Government of China for enhancing Article 5 countries' National Ozone Unit capacity-building during the final stages of the Montreal Protocol compliance period. The 45th Meeting requested the Secretariat to expand on the paper from China and present it to the 47th Meeting and to provide the preliminary results of an analysis of the possible future action and policies required to assist compliance with the phase-out requirements for all ODS covered by the Montreal Protocol.

71. The 47th Meeting considered these preliminary results and noted that there were indications that funding for institutional strengthening might need to continue after 2010, and decided that possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined at the end of 2007. The Executive Committee agreed to

explore the extent, nature and eligibility of any additional measures that might be considered for funding by the Executive Committee to address surveys, institutional measures and/or other preparatory activities for HCFC phase-out in the light of the results of the China policy study and the surveys carried out by UNDP. It was acknowledged that institutional strengthening support might need to be revised in accordance with the Executive Committee's guidelines when a country formally revised its baseline with the agreement of the Parties to the Montreal Protocol. The Secretariat was requested, in consultation with the implementing agencies, to prepare for the 49th Meeting a paper examining the relative merits of replacing the current requirements for submission of requests for renewal of an institutional strengthening projects with a simplified arrangement that would make use of the report on progress on implementation of country programmes.

Review of the requirements for further assistance for the post-2007 period for low-volume-consuming countries

72. At its 45th Meeting, the Executive Committee considered an analysis of the results of refrigerant management plans to phase out CFC consumption in the refrigeration servicing sector in low-volume-consuming countries. The Executive Committee urged bilateral and implementing agencies, on behalf of low-volume-consuming countries without approved terminal phase-out management plans (TPMPs), to submit TPMP proposals. It also established the conditions for their approval, the possible levels of funding and the requirements for verification, and decided that additional funding could be requested for the preparation of such TPMPs.

G. Policy Matters

Criteria of the assessment of progress reports and verification audits of multi-year agreements

73. At the 44th Meeting, the Executive Committee reviewed proposed criteria for the assessment of progress reports and the verification audits of multi-year agreements, prepared pursuant to decision 43/38. In order to advance the development of the criteria, it decided to organize a seminar on the subject in the margins of the 45th Meeting.

74. At its 46th Meeting, the Executive Committee considered the report of the seminar held during the 45th Meeting and the revised criteria, and decided to approve the guidelines for the verification of consumption targets in such agreements. The Committee requested that bilateral and implementing agencies apply the guidelines to the verification of national consumption targets in such agreements, starting with the verification of consumption for the year 2005. The Secretariat was requested to review the implementation of the guidelines at the end of 2007.

75. The 46th Meeting requested the Secretariat to prepare a discussion paper outlining new options for monitoring and assessing the progress of agencies with regard to multi-year agreements. At its 47th Meeting, the Executive Committee adopted options for improving the accuracy of progress reporting on multi-year agreements, including, *inter alia*, information on when delayed activities funded by an annual tranche were to be completed; providing

disbursement information cumulatively as well as data concerning actual or planned commitments, as appropriate. The information should also specify how the relevant flexibility clause in the agreement was implemented and/or how to allocate unused funds from previous tranches. The Secretariat was requested to continue monitoring annual tranches in the context of documents on implementation delays and balances, noting that those monitoring tools appeared to have encouraged the removal of impediments to completing projects and activities and so resulted in more timely final disbursement of approved funds to Article 5 countries.

76. The 47th Meeting also requested implementing agencies to record phase-out according to the actual and real levels of consumption achieved in annual tranches of multi-year agreements, while noting that in some cases the level of phase-out might need further explanation and that there should be consistency in the use of the definition of planned and actual phase-out. Implementing agencies were also requested to inform countries of the need to exceed the phase-out indicated in an agreement where necessary to meet the obligations of the Montreal Protocol, as well as those cases where actual consumption or production data had resulted in changes to the phase-out indicated in the agreements.

77. The Executive Committee further decided that a separate sub-agenda item on delays in the submission of annual tranches and disbursement of funds for tranches and obligations should be included for future meetings.

Review of guidelines relating to the collection, recovery, recycling and destruction of ozone-depleting substances

78. At its 44th Meeting, the Executive Committee, in light of paragraph 7 of decision IV/11 and paragraph 6 of decision IV/18 of the Meeting of the Parties, requested the Secretariat to collect existing guidelines relating to collection, recovery, recycling and destruction of ozone-depleting substances. The 46th Meeting considered the report on the review of guidelines and requested the Secretariat to prepare a paper covering the terms of reference, budget, and modalities for a study regarding collection, recovery, reclamation, transportation and destruction of unwanted ODS, taking into account proposals made by two members.

79. The 47th Meeting considered the paper prepared by the Secretariat and established a contact group to refine the terms of reference. The Executive Committee subsequently requested the Secretariat to organize a meeting of experts in Montreal, Canada, from 22 to 24 February 2006 to assess the extent of current and future requirements for the collection and disposition (emissions, export, reclamation and destruction) of non-reusable and unwanted ODS in Article 5 countries and allocated a budget line of US \$50,000 for the meeting. The Secretariat was also requested to recruit consultants to collect and elaborate as many data as possible on unwanted, recoverable, reclaimable, non-reusable and virgin ODS in Article 5 countries for dissemination to participants in the meeting of experts and to develop a standard format for reporting data on unwanted, recoverable, reclaimable, non-reusable and virgin stockpiled ODS. The Committee requested the Chair, through the Meeting of the Parties, to seek the assistance of the Technology and Economic Assessment Panel (TEAP) and its technical options committees in providing the data mentioned above. It agreed to consider further the proposed terms of reference at its 48th Meeting.

Assistance for countries with a baseline consumption of zero

80. The 47th Meeting considered proposals for countries with no baseline and little or no current consumption and decided that Article 5 countries with zero halon baselines but a low level of documented installed halon inventories could submit project proposals to manage their halon stocks in accordance with the Executive Committee's Interim Halon Banking Guidelines. The level of funding for such proposals should normally be between US \$25,000 (as recommended in the Interim Halon Banking Guidelines) and US\$ 50,000 (as per decision 44/8), depending on the level of the inventory. It also decided that Article 5 countries with zero methyl bromide, CTC and/or TCA baselines that were experiencing compliance difficulties with respect to one or more of those substances could be provided with assistance under UNEP's compliance assistance programme (CAP). UNEP was requested to use funds from the 2006 CAP budget to provide such assistance and to submit to the 48th Meeting a strategic plan indicating which countries with zero baselines it proposed to assist, the justification or criteria used for selecting those countries, the type of assistance to be provided and the extent to which the activities would be additional to the usual work of the CAP. Bilateral and implementing agencies providing assistance in the preparation and implementation of new terminal phase-out management plans were requested to work towards ensuring that, within the approved levels of funding, project activities included support for developing and implementing licensing systems or import controls for methyl bromide, CTC and/or TCA in cases where there were zero baselines for one or more of those substances provided there was a risk of future consumption. Finally, the Executive Committee decided to consider the need for any additional support to the CAP that might be required to implement the proposed strategic plan at its 48th Meeting.

Process agents

81. At its 44th Meeting the Executive Committee considered an information document on process agents and authorized the Secretariat to engage an expert consultant to catalogue process agent uses in Article 5 countries and their related emission levels.

82. The 45th Meeting examined a report containing a technical study to catalogue process agent uses and their related emission levels in Article 5 countries. The Secretariat subsequently finalized the report which was submitted to the 25th Meeting of the Open-ended Working Group, together with the technical study to catalogue process agent uses and emission levels involving substances controlled under the Montreal Protocol in countries operating under Article 5.1 of the Protocol.

Technical assistance for countries with little or no current consumption of CTC, TCA or methyl bromide

83. At its 45th Meeting, the Executive Committee considered business plans and work programmes that included projects for countries with very low consumption of methyl bromide, CTC and TCA, and adopted guidelines for the provision of assistance with the phase-out of CTC and TCA for countries that had reported consumption of 2 ODP tonnes and lower.

Performance indicators

84. At its 45th Meeting the Executive Committee considered the addition of performance indicators to address project identification and decided not to adopt them as project development or identification are tied to compliance needs and are coordinated by the agencies and the Secretariat.

85. At its 46th Meeting, the Executive Committee decided to invite members to submit views and comments on the performance indicators as input for discussion at the 47th Meeting, and to permit consideration of whether to make them applicable to bilateral agencies. The Executive Committee amended the questionnaire on quantitative performance indicators by inserting an additional column and giving the National Ozone Units the choice of awarding a rating of 1 to 4.

86. The 47th Meeting adopted the revised weightings for performance indicators based on the 2005 evaluation of the performance of multilateral implementing agencies and agreed that bilateral implementing agencies should not be required to set targets for performance indicators.

Revised country programme reporting format

87. At its 44th meeting, the Executive Committee discussed monitoring and reporting requirements for refrigerant management plans (RMPs) and/or TPMPs. The Executive Committee decided to replace the existing format for reporting on the implementation of country programmes and to request the National Ozone Units, starting in 2006, to use the revised format. The Meeting also requested the Secretariat to incorporate the data collected into the annual analysis forecasting the compliance potential of Article 5 countries. The Executive Committee decided to review the implementation of the revised format at its last meeting in 2007.

Annual progress report on the communication strategy for global compliance with the Montreal Protocol

88. The 44th meeting noted with appreciation UNEP's 2004 report on the communication strategy for global compliance with the Montreal Protocol.

H. InformationPre-session documents

89. The 45th Meeting decided that pre-session meeting documents be classified for "General Distribution", with the exception of any project for which a party requested restricted access pending consideration by the Executive Committee.

Draft Executive Committee primer

90. The 45th Meeting requested the Secretariat to prepare a draft outline of an Executive Committee primer including, *inter alia*, a summary of relevant decisions, procedures related to the approval of ODS phase-out projects, and rules and practices of the Executive Committee.

91. The draft outline of the primer was presented to the 46th Meeting, which requested the Secretariat to proceed with its development. Subsequently, a draft primer was presented to the 47th Meeting and Executive Committee members were invited to submit their comments, following which the Secretariat would circulate it for final clearance prior to finalization and distribution to the new Executive Committee members before the first meeting in 2006, on the understanding that it would be updated on an ongoing basis.

92. The Secretariat had prepared a leaflet to provide government policy-makers with basic information on the achievements and operations of the fund, followed by a booklet that was issued in September 2005 for the celebration of the 20th anniversary of the Vienna Convention giving more detailed information on the Multilateral Fund's achievements, operations and future challenges.

I. Fund Secretariat activities

93. During the reporting period, the Fund Secretariat had prepared documentation and provided conference services for the 44th, 45th, 46th and 47th Meetings of the Executive Committee and meetings of the Subgroup on the Production Sector.

94. The Fund Secretariat had analysed and reviewed proposals for projects and activities from implementing agencies and bilateral donors with a total value as submitted of US \$534,559,616. It had also provided comments and recommendations, as appropriate, on all proposals submitted for the Executive Committee's consideration amounting to US \$394,726,463.

95. The Secretariat had prepared documents, *inter alia*, on performance indicators, the model rolling three-year phase-out plan, preliminary results of an analysis of possible further action and policies required to assist compliance with all ODS phase-out requirements, issues relating to the status of Article 5 countries in achieving compliance with the initial and intermediate measures of the Montreal Protocol, criteria and modalities for chiller demonstration projects, the administrative cost regime and core unit costs, guidelines relating to collection, recovery, recycling and destruction of ozone-depleting substances, new options for the assessment of the progress reports and verification audits of multi-year agreements, the requirements for further assistance for the post-2007 period for low-volume-consuming countries, a technical study to catalogue process agent uses and their related emission levels in Article 5 countries, technical assistance for countries with little or no current consumption of CTC, TCA or methyl bromide and on the internal procedures and practices of the Treasurer.

96. The Fund Secretariat, in cooperation with the World Bank, had organized a seminar on draft criteria on verification and reporting for refrigerant management plans and multi-year agreements.

97. The Chief Officer and other members of the Secretariat had attended a number of meetings, including a special event in Vienna to celebrate the 20th anniversary of the Vienna Convention, the South Asia and South East Asia and the Pacific (SEAP) Network Meeting of Ozone Officers in Beijing, the “China 2005 International Ozone Day Celebration”, the 23rd Session of UNEP’s Governing Council, the Technology and Economic Assessment Panel meeting on the draft report on the 2006-2008 replenishment of the Multilateral Fund, the Third Session of the Preparatory Committee for the Further Development of a Strategic Approach to International Chemicals Management (SAICM), the annual compliance assistance programme advisory meeting of UNEP DTIE, the second meeting of the Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (PIC COP-2), and the Ministerial Segment of the Fifteenth Meeting of the Forum of Ministers of the Environment of Latin America and the Caribbean.

98. At the 46th Meeting, the Chief Officer informed the Executive Committee of changes to the staffing of the Secretariat during the reporting period, including the retirement of one senior programme management officer, and the temporary assignment of another staff member to the Ozone Secretariat. At the 47th Meeting, the Executive Committee approved the creation of a new information technology junior post at the P2 level and upgraded two general service posts; one from G5 to G7 and one from G4 to G5.

J. Matters relating to the Meeting of the Parties

Evaluation and review of the financial mechanism of the Montreal Protocol

99. Pursuant to decision XVI/36 of the Sixteenth Meeting of the Parties, the 44th Meeting considered the report on the 2004 evaluation of the financial mechanism of the Montreal Protocol and decided to convene a contact group to meet in the margins of the 45th Meeting to draft a preliminary assessment report on the recommendations contained in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol. The draft report of the contact group containing a summary of actions taken on the recommendations of the study of the financial mechanism was submitted to the 25th meeting of the Open-ended Working Group.

100. The 45th Meeting requested the Treasurer to continue to report annually on progress in documenting the Treasurer's internal procedures and practices until they had been fully documented. A progress report was considered at the 46th Meeting and a final report was submitted to the 47th Meeting, in accordance with the general recommendation on the evaluation of the review of the financial mechanism see recommendation 23 in Annex II to the present report.

101. 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 Seventeenth Meeting of the Parties (Annex II).

102. Annex III provides by country the amount of HCFC-141b consumption phased-in through projects using HCFCs as replacement, pursuant to 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 replacements, a consumption which would - in applying decision 27/13 - be excluded from funding at future stages."

K. Reports of the Executive Committee

103. The reports of the 44th, 45th, 46th and 47th Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/44/73, UNEP/OzL.Pro/ExCom/45/55, UNEP/OzL.Pro/ExCom/46/47 and UNEP/OzL.Pro/ExCom/47/61) respectively have been transmitted to Parties to the Montreal Protocol. These reports, all earlier reports and meeting summaries can be accessed at the website of the Fund Secretariat (www.multilateralfund.org).

Annex I

Table 1

Sector	ODP approved	ODP phased out
Consumption		
Aerosol	25,717.0	24,923.8
Foam	64,568.0	57,773.1
Fumigant	5,099.7	1,872.1
Halon	44,849.2	36,048.6
Multi-sector	670.0	454.6
Other	1,230.0	1,074.0
Process agent	5,772.3	1,134.3
Refrigeration	43,256.6	35,908.9
Solvent	6,886.4	4,899.6
Sterilant	55.0	30.7
Phaseout plan	24,487.3	5,477.1
Several	676.7	204.1
Total consumption	223,268.3	169,800.9
Production		
CFC	50,236.6	33,613.6
Halon	37,158.0	31,188.0
CTC	35,293.0	9,295.0
TCA	33.8	
Multiple ODS	505.0	500.0
Total production	123,226.4	74,596.6

*Excluding cancelled and transferred projects

Table 2

Sector	ODP tonnes	US \$ approved
Aerosol	249.9	1,439,866
Foam	2,813.3	17,299,349
Fumigant	1,154.4	21,862,809
Halon	-	14,630,037
Other	200.0	1,827,500
Process agent	27,384.0	35,599,783
Production	15,430.8	72,597,500
Refrigeration	1,100.2	27,781,268
Solvent	928.6	14,861,206
Phaseout plan	25,505.4	57,100,647
Total	74,766.6	264,999,965

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Annex I

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
Fumigant sector						
Brazil	Total phase-out of methyl bromide used in tobacco, flowers, ornamental plants, strawberries and other uses	Spain and UNIDO	218.6	2,030,641	184,220	2,214,861
Chile	Phase-out of all the remaining uses of methyl bromide in soil application pest control	World Bank	212.5	2,547,156	191,037	2,738,193
China	National phase-out of methyl bromide	Italy and UNIDO	1,087.8	14,789,342	1,279,201	16,068,543
Cuba	Phase-out of methyl bromide in soil, substrate, storage and structure fumigation	UNIDO	24.1	537,763	40,332	578,095
Iran	Phase-out of methyl bromide	UNIDO	14.4	127,950	20,516	248,466
Libyan Arab Jamahiriya	Phase-out of methyl bromide in horticulture: tomatoes, cucumbers, peppers and others	Spain and UNIDO	96.0	1,243,000	120,725	1,363,725
Thailand	National methyl bromide phase-out plan	World Bank	241.8	2,901,600	217,620	3,119,220
Phase-out plans						
Afghanistan	National CFC phase-out plan	Germany and UNEP	179.7	1,025,806	133,455	1,159,261
China	Refrigeration servicing sector CFC phase-out plan	Japan, UNEP and UNIDO	3,902	7,885,000	836,130	8,721,130
Democratic People's Republic of Korea	National phase-out plan	UNEP and UNIDO	192.7	1,064,000	108,840	1,172,840
Dominican Republic	Terminal phase-out plan for Annex-A (Group-I) substances	UNDP	311.2	1,711,600	128,370	1,839,970
Egypt	National CFC phase-out plan	UNIDO	1,047.0	3,100,000	232,500	3,332,500
Indonesia	National CFC phase-out plan	UNDP, UNIDO, and World Bank	5,546.0	20,645,507	1,754,701	22,400,208

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Annex I

Country	Project	To be implemented by	Total phase-out ODP tonnes	Funding approved in principle (US \$)		
				Project funds	Support costs	Total
Kenya	National phase-out plan for Annex-a (Group-I) substances	France	138.8	725,000	94,250	819,250
Lebanon	National phase-out plan for Annex-A, (Group-I) substances	UNDP	499.0	2,091,420	156,857	2,248,277
Panama	National phase-out plan for Annex-A, (Group-I) substances	UNDP and UNEP	168.42	993,152	77,237	1,070,389
Romania	National CFC phase-out plan	Sweden and UNIDO	250.0	545,300	47,470	592,770
Saint Vincent and the Grenadines	Terminal phase-out management plan	UNDP and UNEP	2.08	237,000	23,770	260,770
Sudan	National CFC/CTC phase-out plan	UNIDO	216.0	1,139,480	85,461	1,224,941
The former Yugoslav Republic of Macedonia	Terminal phase-out plan for CFCs	UNIDO	49.3	279,081	20,931	300,012
Viet Nam	National CFC and halon phase-out plan	World Bank	258.7	1,260,000	94,500	1,354,500
Production sector						
China	Accelerated phase-out plan for CFCs/CTC/halon 1301	The United States of America and World Bank	n/a	10,000,000	750,000	10,750,000
Venezuela	Phase-out CFC production capacity	World Bank	4,400	16,500,000	1,237,500	17,737,500

Annex II

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

INTRODUCTION

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

"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;"

"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. At its 45th Meeting, the Executive Committee considered that 11 general recommendations were related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer and did not need any new action, but instead required 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.

3. At its 45th Meeting, the Executive Committee also considered that ten general recommendations that were related to the ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer might 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.

4. The 45th Meeting decided that seven general recommendations did not need to be implemented; six because future action would be redundant in the light of recent developments or existing practices and one because of the potential for negative incentive. The Executive Committee considered that there was no need for further reporting on these recommendations.

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Annex II

5. The general recommendations that correspond to the previous three paragraphs of the chapeau are:

Category	General Recommendation Numbers
Paragraph 2	2, 6, 7, 15, 16, 18, 21, 22, 24, 25, 28
Paragraph 3	1, 3, 4, 9, 11, 12, 17, 20, 23, 26
Paragraph 4	5, 8, 10, 13, 14, 19, 27

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

6. The Executive Committee felt that there was no need for a structural change to the Executive Committee to address compliance as that was being addressed under the existing structure through planning, monitoring, and funding activities. See paragraph 5 of the present report.

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

7. The Executive Committee would continue to evaluate its structure and report to the Parties as appropriate on any new developments. See paragraph 5 of the present report.

GENERAL RECOMMENDATION 3: Develop a primer to provide background on the Fund for new Executive Committee members.

8. The Executive Committee considered a draft primer at its 47th Meeting. See paragraphs 89 and 90 of the present report.

GENERAL RECOMMENDATION 4: Ensure that results of review of project implementation delay are not only applied to determine project cancellation, monitoring, or removal from the list of delays, but also to inform implementing agencies of how to avoid future delays.

9. The Executive Committee requested the implementing agencies to provide information on how to avoid future delays. See paragraphs 53 to 55 of the present report.

GENERAL RECOMMENDATION 5: Request the Secretariat to take action to develop prescriptive approaches to address project implementation delays.

10. Although the recommendation includes a request to the Secretariat, the Executive Committee is responsible for taking such actions instead of the Secretariat. Moreover, the Executive Committee has prescriptive approaches to avoiding delays currently in place and under enforcement. Prescriptive approaches are enforced to address project implementation

delays primarily through the process of monitoring such projects at each meeting and other decisions related to reasons for delays such as delays due to counterpart funding and customs clearance.

GENERAL RECOMMENDATION 6: Build on decision 40/19 and the subsequent report submitted by UNEP (UNEP/OzL.pro/ExCom/41/Inf.2) to assist countries that consume very low quantities of methyl bromide, CTC, and methyl chloroform.

11. The Executive Committee endorsed business plans and approved work programmes that included projects for countries with very low consumption of methyl bromide, CTC and methyl chloroform. See paragraph 82 of the present report.

GENERAL RECOMMENDATION 7: Continue to collaborate with the Secretariat and implementing agencies to maintain effectiveness in dealing with issues of project overlap, ineligible funding, and inflated costs.

12. The Secretariat and bilateral and implementing agencies meet annually to avoid project overlap and any potential overlaps are brought to the attention of the Executive Committee in the context of annual business plans and the Secretariat brings cases of ineligible funding and inflated costs to the attention of the Executive Committee at every meeting.

GENERAL RECOMMENDATION 8: Reclassify Executive Committee meeting documentation as general distribution.

13. The Executive Committee decided that from the 46th Meeting onwards pre-session documents would be classified as General Distribution. See paragraph 88 of the present report.

GENERAL RECOMMENDATION 9: Extend performance indicators to bilateral implementing agencies.

14. The Executive Committee decided not to require bilateral implementing agencies to set targets for performance indicators. See paragraph 85 of the present report.

GENERAL RECOMMENDATION 10: Add performance indicators to address project identification.

15. The Executive Committee considered that this recommendation should not be implemented. See paragraph 83 of the present report.

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Annex II

GENERAL RECOMMENDATION 11: Increase the weighting of the performance indicator “ODS phased-out for individual projects versus those planned per progress reports”.

16. At its 47th Meeting, the Executive Committee revised the weighting of the performance indicators. See paragraph 85 of the present report.

GENERAL RECOMMENDATION 12: Continue process of developing qualitative indicators.

17. At its 46th Meeting, the Executive Committee amended the questionnaire on quantitative performance indicators. See paragraph 84 of the present report.

GENERAL RECOMMENDATION 13: Share results of performance evaluations with upper management of implementing agencies.

18. The Executive Committee already shares such evaluations with upper management as needed.

GENERAL RECOMMENDATION 14: Eliminate selected administrative indicators if relevant administrative problems are resolved.

19. The elimination of these indicators might encourage poorer performance and the recommendation was not implemented.

GENERAL RECOMMENDATION 15: Increase efforts to improve country-level data reporting.

20. The Executive Committee continues to seek improvements in data reporting by supporting institutional strengthening projects and UNEP’s Compliance Assistance Programme.

GENERAL RECOMMENDATION 16: Continue efforts to reduce/avoid project implementation delays.

21. The Executive Committee considered that the past and ongoing efforts to reduce/avoid implementation delays were being effectively implemented through the effort of the agencies and the Secretariat. See paragraphs 53 to 55 of the present report.

GENERAL RECOMMENDATION 17: Increase communication between implementing agencies and the Treasurer when promissory notes are transferred, received and encashed.

22. The Executive Committee requested the Treasurer to circulate a ledger indicating when promissory notes are transferred, received and encashed prior to each meeting of the Executive Committee. See paragraph 14 of the present report.

GENERAL RECOMMENDATION 18: Continue to maximize proportion of budget spent on implementation and minimize proportion of budget spent on core components.

23. The recommendation was being implemented on an ongoing basis through the annual review of the core unit costs. See paragraph 28 of the present report.

GENERAL RECOMMENDATION 19: Request implementing agencies to explain significant increases in their core budget expenses.

24. The Committee has already requested this information and considers that this recommendation had been implemented. See paragraph 28 of the present report.

GENERAL RECOMMENDATION 20: Conduct a study regarding the efficiency of implementing agency administration of smaller projects.

25. This issue was partially addressed in the context of the post-2007 RMP review. At its 46th Meeting, the Executive Committee also reviewed its administrative cost regime and decided to extend it for the 2006-2008 triennium. See paragraphs 28 and 71 of the present report.

GENERAL RECOMMENDATION 21: Monitor the use of funds for non-investment versus investment activities within national or sector phase-out plans.

26. The Executive Committee monitors the use of all funds for all activities in national and sector phase-out plans.

GENERAL RECOMMENDATION 22: Provide in Table 1 of the status report on contributions and disbursements the incremental income, allocations and provisions, and balance available for new allocations, in addition to the cumulative totals of these financial components.

27. Table 1 of the status report on contributions and disbursements contains the information requested.

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Annex II

GENERAL RECOMMENDATION 23: Document the internal procedures and practices of the Treasurer.

28. The Executive Committee requested the Treasurer to report on progress in documenting the internal procedures and practices of the Treasurer. See paragraph 99 of the present report.

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

29. The Executive Committee continued to take action to encourage timely payment by donor countries. See paragraphs 12 and 13 of the present report.

GENERAL RECOMMENDATION 25: Implement internal quality control measures to improve the accuracy of recordkeeping.

30. The Executive Committee requested the Treasurer to provide a detailed report each year, and interim reports at other times as appropriate. See paragraph 99 of the present report.

GENERAL RECOMMENDATION 26: Clarify how, when, and what financial data should be accounted and reported by implementing agencies.

31. The issue of reporting of financial data by the implementing agencies was discussed at all the meetings covered by this report. See paragraphs 19 and 20 of the present report.

GENERAL RECOMMENDATION 27: Consider engaging an independent auditor to assist with account reconciliation if financial discrepancies persist.

32. Since any audit of United Nations agencies had to be conducted under UN financial rules, this recommendation could not be implemented.

GENERAL RECOMMENDATION 28: Continue to analyze the FERM's effect on Fund value.

33. The Committee noted that in Annex XIX to the report, the issue of FERM was a matter for decision by the Meeting of the Parties, and the Committee noted that the impact of the FERM on the value of resources available to the Fund was monitored by the Treasurer as part of his report on the Status of Contributions and Disbursements. See paragraph 15 of the present report.

AMOUNTS OF HCFCs¹ CONSUMPTION PHASED-IN (ODP TONNES)

Country	CFC phased out in projects using HCFC technologies	HCFC phased in
Algeria	54.1	5.4
Argentina	743.1	73.6
Bahrain	15.3	1.5
Bolivia	11.0	1.1
Bosnia and Herzegovina	29.1	2.9
Brazil	4,847.3	477.7
Chile	179.5	14.6
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	4,501.8	434.6
Indonesia	1,900.1	182.1
Iran	1,045.5	103.6
Jordan	330.3	32.7
Kenya	22.8	2.3
Lebanon	81.0	8.0
Libya	61.5	6.1
Macedonia	75.1	7.4
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	504.4	50.0
Romania	192.0	19.0
Serbia and Montenegro	44.2	4.4
Sri Lanka	7.2	0.7
Sudan	4.4	0.4
Syria	628.4	62.3
Thailand	2,022.8	199.6
Tunisia	234.9	20.3
Turkey	372.2	36.9
Uruguay	104.6	10.4
Venezuela	699.1	69.3
Vietnam	44.4	4.4
Yemen	9.7	1.0
Zimbabwe	11.3	1.1
Total	34,985.6	3,186.3

Note 1: ODP values as follows:

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