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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fifth Meeting
Bali, Indonesia, 13-17 November 2011

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Introduction

1. This document consists of the following sections:
 - (a) An analysis of the number of projects and activities submitted by bilateral and implementing agencies to the 65th meeting;
 - (b) Issues identified during the project review process;
 - (c) Projects and activities submitted for blanket approval; and
 - (d) Investment projects for individual consideration.

Projects and activities submitted by bilateral and implementing agencies

2. Bilateral and implementing agencies submitted 115 funding requests for new multi-year agreements, tranches of approved multi-year agreements and projects and activities, amounting to US \$110,602,793, including agency support costs where applicable. The funding requests covered:

- (a) Seventeen new HPMPs for low-volume-consuming (LVC) countries and 17 (including the withdrawn) HPMPs for non-LVC countries;
- (b) One HCFC phase-out solvent sector plan for China, as a component of the HPMP approved at the 64th meeting, in light of decision 64/49(b);
- (c) Two methyl bromide (MB) phase-out projects, one technical assistance programme and one tranche of an approved phase-out project; and
- (d) Fourteen renewal requests for institutional strengthening projects, 3 non-investment projects, the core units of UNDP, UNIDO and the World Bank, and the UNEP Compliance Assistance Programme (CAP).

3. Following the project review process, 17 projects and activities totalling US \$2,319,528 including support costs are recommended for blanket approval; 74 projects and activities totalling US \$65,540,034 including support costs (of which US \$42,401,360 is requested at the 65th meeting) are being forwarded for individual consideration by the Executive Committee. Together, the projects for blanket approval and those for individual consideration represent a total amount of US \$44,720,888 in funding being requested at this meeting. Five HPMPs (Bosnia and Herzegovina, Nicaragua, Saudi Arabia, Sudan and Syrian Arab Republic) at a total cost of US \$23,288,978 as originally submitted were withdrawn by the relevant agencies due to issues raised during the project review process or upon a request by relevant governments; and one regional activity amounting to US \$169,500 was also withdrawn.

4. As advised in the “Report on balances and availability of resources” (UNEP/OzL.Pro/ExCom/65/4), the total level of resources available for approvals by the Executive Committee at the 65th meeting is US \$32,828,308, as of 10 October 2011. This amount is lower than the US \$44,720,888 being requested for projects and activities at the same meeting.

Issues identified during project review

5. No new policy issues were identified during the project review process for the 65th meeting. However, at its 64th meeting the Executive Committee agreed to continue considering the issue on the “flexibility provision under HCFC phase-out management plans” at its 65th meeting.

Flexibility provision under HCFC phase-out management plans

6. Pursuant to decision 63/16¹, the Secretariat provided under the overview of issues identified during project review document (UNEP/OzL.Pro/ExCom/64/17) a discussion on the flexibility provision under HPMPs in relation to technology changes and funding reallocation among sectors. As explained in the document the first set of guidelines on performance-based sector and national phase-out plans, approved at the 38th meeting, already contained a flexibility clause to reallocate the approved funds to achieve the goals under the agreement. The discussion covered potential changes in approved technologies for phasing out HCFCs, the potential ineligibility of some enterprises in approved HPMPs, and possible implications on funding levels or environmental impact. For ease of reference the text presented to the 64th meeting is reproduced in Annex I to the present document.

Discussion at the 64th meeting

7. During the discussion held at the 64th meeting, several members expressed concern that the approval process for changes in technology could entail delays that would threaten compliance with the 2013 consumption freeze. One member suggested that, while a sector-plan mechanism had been very effective for CFCs, HCFC phase-out was more technically challenging, and approval was therefore more suitable at the individual project level.

8. Several members proposed the following amendments to the recommendation proposed by the Secretariat (changes are in italic font for ease of reference):

- (a) Reiterating its expectation that, within the framework of performance-based agreements, each annual implementation plan will be implemented as approved, and that the aggregated annual implementation plans will achieve, as a minimum, the phase-out specified in the agreement;
- (b) Stipulating that requests for change of technology *and funding reallocation between sectors* in approved phase-out plans:
 - (i) Should constitute a “major change” that should be documented in advance in annual implementation plans *or in urgent cases as stand-alone requests*, together with documentation on any resultant change in incremental costs;
 - (ii) Should achieve a reduction in the impact on the climate equal to or higher than that of the technology *and/or funding reallocation between sectors*, that was originally approved *unless this was not feasible given a justifiable national reason*; and
 - (iii) Should be submitted to the Executive Committee as part of the annual implementation plan on a case-by-case basis for individual consideration, together with the Secretariat's review and recommendations;
- (c) Stipulating that the agreement between Government of the Article 5 country concerned and the Executive Committee will be amended based on any savings [*funding modifications*] associated with the proposed change of technology at the time the change in technology is approved by the Executive Committee.

¹ The Executive Committee requested the Secretariat to include in the agenda of the 64th meeting, “the matter of the flexibility provision under HCFC phase-out management plans in relation to technology changes and funding reallocation among sectors, and to provide relevant background information for the consideration of that matter as needed”.

9. However, the Executive Committee did not reach a conclusion on this issue and agreed to consider technology changes and funding reallocation among sectors on a case-by-case basis for HPMPs submitted to the 64th meeting. It also agreed to defer consideration of the policy issue to the 65th meeting.

HPMPs submitted to the 64th meeting

10. As agreed, issues related to the flexibility clause under HPMPs submitted to the 64th meeting, in particular those related to a change of technology or eligibility of enterprises, were addressed by the Committee on a case-by-case basis. These included the following:

- (a) Given the alternative technologies and their relatively high costs proposed for several enterprises to be converted during stage I of the HPMP for China and Indonesia (i.e., cyclopentane as replacement of HCFC-141b used in the production of polyurethane foam; CO₂/ethanol and butane as replacement of HCFC-22/HCFC-142b used in the production of extruded polystyrene foam; R-290 (propane) as replacement of HCFC-22 refrigerant in the manufacturing of air-conditioning systems), the Executive Committee agreed to add the following clause in the agreements between the countries concerned and the Executive Committee:

“Should the Country decide during implementation of the agreement to introduce an alternative technology other than that proposed in the approved HPMP, this would require approval by the Executive Committee as part of an Annual Implementation Plan or the revision of the approved plan. Any submission of such a request for change in technology would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable. The Country agrees that potential savings in incremental costs related to the change of technology would decrease the overall funding level under this Agreement accordingly;”

- (b) In the case of the HPMP for Indonesia, given the concerns expressed by some members of the Committee regarding the introduction of HFC-based technologies that were being proposed in the HPMP, the Executive Committee also agreed to add the following clause to the agreement:

“The Country agrees, in cases where HFC technologies have been chosen as an alternative HCFC, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations standards and incentives adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly;”

- (c) In the cases of the HPMPs for Mexico and Brazil, a large number of foam enterprises were proposed to be converted through the assistance of their systems houses. As the necessary information to determine their eligibility was not available at the time of the preparation of the HPMP, the relevant implementing agency indicated that the eligibility of each enterprise will be further validated in the field during the implementation of the project. Given this situation, the Executive Committee agreed to amend the agreements of these countries by including the following clause:

“Any enterprise to be converted to non-HCFC technology included in the approved HPMP and that would be found to be ineligible under the guidelines of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off

date), will not receive assistance. This information would be reported to the Executive Committee as part of the Annual Implementation Plan;”

- (d) Stage I of the HPMP for Mexico, included assistance for allowing a few systems houses to develop hydrocarbon-based pre-blended polyols that could potentially be used by a number of foam enterprises to be converted also during stage I. Accordingly, the Executive Committee agreed to add the following additional clause to the agreement:

“The Country commits to examining the possibility of using pre-blended hydrocarbon systems instead of blending them in-house, for those foam enterprises covered under the umbrella project, should this be technically viable, economically feasible and acceptable to the enterprises”.

HPMPs submitted to the 65th meeting

11. It should be noted that the draft agreements of HPMPs submitted to the 65th meeting by the following Article 5 countries had already incorporated amendments to the flexibility clause according to the specific situation of each country, similar to those amended at the 64th meeting: Cuba, Dominican Republic, Ecuador, Egypt, Malaysia, Qatar, and Zimbabwe.

Recommendation

12. The Executive Committee might wish to either continue considering the matter of the flexibility provision under HCFC phase-out management plans in relation to technology changes and funding reallocation among sectors on a case-by-case basis, or to take a policy decision as proposed in paragraph 8 above.

Projects and activities submitted for blanket approval

13. Annex II to this document, lists 17 projects and activities totalling US \$2,319,528 including support costs that are recommended for blanket approval. The approval of these projects by the Executive Committee would include the relevant conditions or provisions in the corresponding project evaluation sheets, as well as the approval of implementation programmes associated with the relevant tranches of multi-year projects.

Investment projects for individual consideration

14. A total of 74 projects and activities totalling US \$65,540,034 including support costs (of which US \$42,401,360 is requested at the 65th meeting) after the review by the Secretariat, are proposed for individual consideration. The issues associated with non-investment projects are presented in the bilateral cooperation document (UNEP/OzL.Pro/ExCom/65/14), relevant work programme amendments of UNDP (UNEP/OzL.Pro/ExCom/65/15), UNEP (UNEP/OzL.Pro/ExCom/65/16), UNIDO (UNEP/OzL.Pro/ExCom/65/17) and the World Bank (UNEP/OzL.Pro/ExCom/65/18), the UNEP Compliance Assistance Programme ((UNEP/OzL.Pro/ExCom/65/19), and the 2012 core unit costs for UNDP, UNIDO and the World Bank (UNEP/OzL.Pro/ExCom/65/20).

15. To facilitate the Executive Committee’s consideration of the projects submitted for individual consideration, the Secretariat has classified the projects by sector, and has grouped projects according to the issues, as shown in Table 1 below.

Table 1. List of projects for individual consideration

| Country | Project | Agency | ExCom | Issue |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------|-------|-------------------------------------------------------------------|
| Methyl bromide | | | | |
| Ecuador | Technical assistance to eliminate the remaining consumption of methyl bromide to be in compliance with the total phase-out | UNIDO/UNEP | 65/31 | All issues have been satisfactorily addressed |
| Kenya | Technical assistance for the final elimination of methyl bromide in post harvest sector | UNIDO | 65/40 | All issues have been satisfactorily addressed |
| HPMPs for LVC countries | | | | |
| Angola | HCFC phase-out management plan (stage I, first tranche) | UNDP | 65/21 | All issues have been satisfactorily addressed |
| Bahamas | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/22 | All issues have been satisfactorily addressed |
| Botswana | HCFC phase-out management plan (stage I, first tranche) | France | 65/26 | All issues have been satisfactorily addressed |
| Burundi | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/27 | All issues have been satisfactorily addressed |
| Cuba | HCFC phase-out management plan (stage I, first tranche) | UNDP | 65/29 | All issues have been satisfactorily addressed |
| Ecuador | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/31 | All issues have been satisfactorily addressed |
| El Salvador | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNEP | 65/33 | All issues have been satisfactorily addressed |
| Equatorial Guinea | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/34 | All issues have been satisfactorily addressed |
| Fiji | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNEP | 65/35 | All issues have been satisfactorily addressed |
| Gambia | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/36 | All issues have been satisfactorily addressed |
| Guinea-Bissau | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/37 | All issues have been satisfactorily addressed |
| Nepal | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNDP | 65/43 | All issues have been satisfactorily addressed |
| Sierra Leone | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/48 | All issues have been satisfactorily addressed |
| Suriname | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/49 | All issues have been satisfactorily addressed |
| Zimbabwe | HCFC phase-out management plan (stage I, first tranche) | Germany | 65/52 | All issues have been satisfactorily addressed |
| HPMPs/sector plan for non-LVC countries | | | | |
| Bahrain | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/23 | Acknowledgment of potential non-compliance |
| Bangladesh | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNEP | 65/24 | All issues have been satisfactorily addressed |
| China | Sector plan for phase-out of HCFCs in the solvent sector (stage I, first tranche)) | UNDP | 65/28 | All issues have been satisfactorily addressed |
| Dominican Republic | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNEP | 65/30 | Reduction above 10 per cent of baseline |
| Egypt | HCFC phase-out management plan (stage I, first tranche) | UNDP/ UNIDO | 65/32 | Reduction above 10 per cent of baseline, change to starting point |
| Iraq | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/38 | Reduction above 10 per cent of baseline |
| Jordan | HCFC phase-out management plan (stage I, first tranche) | UNIDO/World Bank | 65/39 | Resubmission from 64 th meeting with changes |

| Country | Project | Agency | ExCom | Issue |
|----------|---------------------------------------------------------|------------|-------|-----------------------------------------------------|
| | | | | introduced; reduction above 10 per cent of baseline |
| Malaysia | HCFC phase-out management plan (stage I, first tranche) | UNDP | 65/41 | Reduction above 10 per cent of baseline |
| Morocco | HCFC phase-out management plan (stage I, first tranche) | UNIDO | 65/42 | All issues have been satisfactorily addressed |
| Oman | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/44 | All issues have been satisfactorily addressed |
| Panama | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNEP | 65/45 | Reduction above 10 per cent of baseline |
| Qatar | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/46 | High consumption in servicing sector |
| Senegal | HCFC phase-out management plan (stage I, first tranche) | UNEP/UNIDO | 65/47 | All issues have been satisfactorily addressed |
| Uruguay | HCFC phase-out management plan (stage I, first tranche) | UNDP/UNIDO | 65/50 | Basis for the calculation of the starting point |

Annex I

Flexibility provision under HCFC phase-out management plans

Introduction

1. In performance-based sector and national ODS phase out plans, the funding is determined and agreed in principle before the implementation commences, based on information provided by bilateral and/or implementing agencies regarding eligible incremental cost. The first set of guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans², approved at the 38th meeting (decision 38/65), already contained a clause stipulating that, while the funding requested was determined on the basis of estimates to meet annual ODS consumption limits set in the agreement, the “Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.” The provision related to major changes has subsequently evolved into requiring reallocations categorized as major changes to be documented in advance in a tranche implementation plan and approved by the Executive Committee. Decisions on performance-based substance-wide and national ODS phase-out agreements/plans that have been adopted by the Executive Committee are summarized in Appendix I to this annex.

2. However, both in the case of the decision at the 38th meeting and the latest version of the flexibility provision, the Executive Committee clearly differentiates between the right of the recipient country to reallocate funds, and the procedure to be followed, that is whether reallocation is possible without providing prior notification to the Executive Committee. The Secretariat focuses on how to determine whether a change constitutes a major change, and what information to provide to the Executive Committee if such a change is required.

Potential changes in approved technologies for phasing out HCFCs

3. During the preparation of ODS phase-out projects, due consideration is given to all the alternative technologies that are available at that time. The final determination of the technology is by the beneficiary enterprises and is based on several factors, including the baseline equipment at the enterprise level, the level of installed capacity and production output, local conditions at the enterprise level, performance, local market conditions, and national regulations, as well as the costs associated with the technology, and the eligibility of these. As a result of this process, projects are submitted with the expectation that they will be implemented as approved and will achieve, as a minimum, the reductions proposed in the project document.

4. In the case of HCFC phase-out, however, the selection of a final technology is further complicated because of the following two issues. One is the limited time available from the adoption of the accelerated HCFC phase-out schedule (2007) to meet the first two compliance target in 2013 and 2015. This situation could exclude the use of some potentially viable new alternative technologies to meet the 2015 reduction target, as the transition time needed for these technologies to be introduced into local markets³ remains unknown, which in some cases excludes them from the list of possible alternatives. The second is related to the consideration of the impacts on the environment including on the climate, where in many cases HCFC alternative technologies with lower impact on the climate have higher incremental

² The revised guidelines are contained in document UNEP/OzL.Pro/ExCom/38/57/Rev.1

³ This argument is frequently used when disregarding the use of methyl formate, and instead selecting pentane technology as an alternative.

costs (requiring counterpart funding from beneficiary enterprises), or cannot be introduced because of local/national regulations⁴.

5. Since the Parties to the Montreal Protocol decided to accelerate the phase-out of HCFCs in Article 5 countries in 2007, emerging technologies to replace HCFCs⁵ are becoming available as safety, performance and cost-related issues are being addressed. As many of these technologies are in the process of being developed, in some sectors the level of uncertainty surrounding decisions about technology is higher than when CFCs were being phased out. Given that these emerging technologies (and possibly others) might become commercially available during the implementation of stage I of the HPMPs, at costs similar to or lower than the alternative technologies that have already been approved in phase-out plans, a change of technology in approved HPMPs could be expected.

6. The evolving nature of technology development for ODS phase-out and its importance for project implementation has been recognized by the Executive Committee. At its 20th meeting the Executive Committee decided *inter alia*: that the implementing agencies should exceptionally be allowed to propose changes in the technology approved for particular projects; and that adequate and detailed justification should be provided for any changes proposed (decision 20/8). Guidelines for change of technology⁶ were subsequently adopted at the 22nd meeting (decision 22/69). As per the guidelines, “a change of technology will be considered in exceptional circumstances; it will be a condition that the project as approved cannot be implemented, that the only other option would be cancellation with no further support from the Fund and that the revised proposal will be implemented within the level of funding already approved; and will need to be submitted to the Executive Committee for individual consideration, together with the Secretariat’s review and recommendations”.

7. The above establishes that the Executive Committee had reserved the right to be consulted in cases of technology change in the past. As mentioned above, such technology changes can have major implications, such as a significant reduction in cost because of the use of a different technology, or a change in environmental impact, in particular on the climate should more funding be made available to address this particular characteristic. Although a change in technology in an approved project was not specifically included in the definition of “major changes” in performance-based agreements, it could be categorized as a major change given those implications.

Other circumstances for reallocation of approved funding

8. Given that the phase-out of HCFCs in Article 5 countries would be realized through performance-based phase-out plans rather than stand-alone phase-out projects, the information on the enterprises to be converted (i.e., baseline equipment; installed capacity and production output; date of establishment; foreign ownership) would not be as detailed as it was in stand-alone projects. In many cases, the information to determine the eligibility of an enterprise would become available only during the implementation of the phase-out plan⁷. Under these circumstances, it can be expected that some of these enterprises would not be eligible for funding due to, for example, foreign ownership or date of establishment, or because they would not be economically viable. In these cases, the relevant bilateral and/or implementing agencies would be required to include in the tranche implementation reports (contained in the agreements) a list of the enterprises that were included in the approved phase-out plan

⁴ In case of HPMPs for two non-LVC countries approved at the 62nd meeting, due to this situation the 2013 and 2015 control targets were to be met by phasing out HCFC-22 in the refrigeration servicing sector rather than HCFC-141b in the foam sector.

⁵ Examples of emerging technologies include: unsaturated HFC (or HFO), methylal, methyl formate, HBA-2 or FEA-1110, hydrocarbon pre-blended polyol systems or HFC-32 refrigerant.

⁶ The guidelines for change of technology are contained in Annex I to the present report.

⁷ For example, the HPMPs for Brazil and Mexico submitted to the 64th meeting, proposed the phase-out of more than 275 SMEs each. Although the relevant governments assisted by the implementing agencies attempted to gather all the necessary information, this was not possible for some of them.

but were found to be ineligible, with the level of funding associated with them. The list must be accompanied by a proposal for the use of those funds in other eligible phase-out activities or, otherwise, the return of the funding approved for those enterprises to the Multilateral Fund.

Appendix I

Summary of decisions by the Executive Committee on the preparation, implementation and management of performance-based substance-wide and national ODS phase-out agreements/plans

1. From the inception of the Multilateral Fund and for several years thereafter, ODSs were mostly phased out through stand-alone project proposals or umbrella projects covering a relatively small number of enterprises with similar characteristics. The adoption of performance-based funding agreements for ODS phase-out commenced only in 1997; since then, they have been increasingly adopted by all Article 5 countries as a modality for managing their sector and/or national ODS phase-out programmes.
2. At its 36th meeting, the Executive Committee considered a document containing the first set of guidelines for the preparation, implementation and management of performance-based substance-wide and national ODS phase-out agreements/plans⁸. The guidelines set out in the document were of a general nature only, and did not attempt to cover the specific situation of each individual Article 5 country. Following the discussion, the Executive Committee decided, *inter alia*, to convene an informal meeting of a working group to consider revised draft guidelines for the preparation, implementation and management of performance-based substance-wide and national phase-out agreements/plans, on a paragraph-by-paragraph basis, in an endeavour to resolve outstanding issues prior to their submission to the Executive Committee. The Secretariat was requested, *inter alia*, to prepare a new version of the guidelines on the basis of the feedback received, for submission to the informal meeting of the working group (decision 37/67)
3. The revised guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans⁹ were approved at the 38th meeting (decision 38/65). The guidelines were approved on the understanding that, *inter alia*: because of the different situations and needs of countries, and the impracticability of attempting to encompass every situation, the purpose of the guidelines is to provide general principles and procedures that should be followed in developing and implementing performance-based ODS phase-out plans.
4. The revised guidelines described flexibility provisions in sector or national phase-out plans as follows: “while the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.”
5. The document on the overview¹⁰ of issues identified during project review submitted to the 45th meeting drew the attention of the Executive Committee to the fact that the wording used in the majority of multi-year agreements approved so far differed from the wording in the guidelines in that it required prior consideration of changes in the use of approved funds. Following a discussion on the issue of flexibility conditions for the use of approved funds, in particular whether changes were major or minor, the Committee requested the Secretariat, in consultation with the implementing agencies, to prepare a paper for defining the meaning of major changes in the use of funding and the need to document such changes in advance in the country’s annual implementation programme (decision 45/15).
6. Subsequently, the Secretariat¹¹ submitted to the 46th meeting a document¹¹ defining the meaning of major changes in the use of funding and the need to document such changes in advance in the country’s

⁸ UNEP/OzL.Pro/ExCom/37/65.

⁹ The revised guidelines are contained in document UNEP/OzL.Pro/ExCom/38/57/Rev.1

¹⁰ UNEP/OzL.Pro/ExCom/45/15.

¹¹ UNEP/OzL.Pro/ExCom/46/43.

annual implementation programme. Based on the document, the Executive Committee decided (decision 46/37):

- (a) That consistent with the flexibility provisions in the relevant agreement, any annual implementation plan prepared and submitted to the Executive Committee for approval could include changes to the scope and nature of the activities foreshadowed in the project document, on which approval in principle of the overall phase-out plan was based;
- (b) To reiterate its expectation that each annual implementation plan would be implemented as approved and would achieve, as a minimum, the phase-out proposed in the project document and the agreement, where relevant;
- (c) That minor changes to a project or an annual implementation plan could be incorporated, as implementation proceeded during the year, and reported on in the annual report on implementation of the annual implementation plan;
- (d) That examples of minor changes included:
 - (i) Adjustments to the number of equipment items to be purchased (for example, plus or minus 20 per cent of the number of recovery and recycling machines in an annual investment plan);
 - (ii) Changes to the size or content of training programmes included in the current approved annual investment plan;
 - (iii) Financial adjustments between the levels of funding of activities in the current approved annual implementation plan (excluding transfers between agencies), provided that they did not affect the overall funding level of the approved annual investment plan;
- (e) That proposed major changes to the scope and nature of activities foreshadowed in the project document should be referred to the Executive Committee for approval as part of the annual implementation plan for the subsequent year;
- (f) That major changes could be defined as those presenting:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Reductions from the planned amount of phase-out to be achieved in the year;
 - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies;
 - (iv) Provision of funding for programmes or activities not included in the current endorsed annual investment plan, or removal of an activity in the annual investment plan, with a cost greater than 30 per cent of the total cost of the tranche;

- (g) That it is the responsibility of the bilateral or implementing agency in the first instance to identify whether a proposed change to implementation of the current approved annual implementation plan would be considered major or minor according to the criteria above;
- (h) That, if the proposal could constitute a major change, the agency should defer the proposed change pending submission to and endorsement by the Executive Committee as part of the subsequent annual investment plan;
- (i) That where there is doubt as to the nature of a proposed change, the agency should seek the views of the Secretariat as to whether the issues raised by the proposal were such that prior consideration by the Executive Committee should be required. If the Secretariat indicated that the proposed change did not raise issues that required reference to the Committee, consistent with the above criteria, the proposal would be deemed to be a minor change and could be incorporated in the annual implementation plan under implementation at the time, and reported to the Executive Committee in the annual report on implementation of the annual investment plan; and
- (j) That the guidelines for preparation, implementation and management of performance-based phase-out plans adopted by the Executive Committee at its 38th meeting (decision 38/65) were amended by replacing paragraph 7 of the draft agreement by the following revised wording and that this would be applicable to future agreements: “While the funding was determined on the basis of estimates of the needs of the country to carry out its obligations under this agreement, the Executive Committee agrees that the country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub paragraph ... Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual programme.”

7. At the 47th meeting, the Executive Committee considered a document on new options for monitoring and assessing the progress of agencies with regard to multi-year agreements¹² which discussed, among other things, how the flexibility clause has been implemented. With regard to options for improving the accuracy of progress reporting on multi-year agreements, the Executive Committee, *inter alia*, requested the Secretariat and the implementing agencies to continue reviewing the national implementation carried out in the previous year and to provide additional information in annual implementation plan submissions on disbursements and completed activities, including information on when delayed activities funded by an annual tranche were to be completed. It was also necessary to continue comparing what had been planned in the previous annual tranche and what had been achieved. The disbursement information should be provided cumulatively and data concerning actual or planned commitments could also be provided, 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 (decision 47/50 (b)).

8. The document on the overview¹³ of issues identified during project review submitted to the 59th meeting indicated that the approved guidelines for HPMPs specified that, like TPMPs and NPPs, HPMPs should be performance-based, i.e. there should be an agreement between the Government concerned and the Executive Committee and it should contain performance targets. At that meeting, the Secretariat had

¹² UNEP/OzL.Pro/ExCom/47/54.

¹³ UNEP/OzL.Pro/ExCom/59/11.

prepared a preliminary template for a draft agreement for HPMPs, on the basis of the templates for agreements on national phase-out plans (NPPs) and terminal phase-out plans (TPMPs). The Executive Committee requested bilateral and implementing agencies preparing HPMPs to use the preliminary template¹⁴ as a guideline when advising countries on preparing a draft agreement for HPMPs (decision 59/16).

9. The revised guidelines described flexibility provisions in sector or national phase-out plans as follows: “While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations categorized as major changes must be documented in advance in the next tranche implementation plan and endorsed by the Executive Committee as described in sub paragraph 5(d)¹⁵. Reallocations not categorized as major changes may be incorporated in the approved tranche implementation plan, under implementation at the time, and reported to the Executive Committee in the tranche implementation report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan”.

Guidelines for change of technology

10. Since the early years of the Multilateral Fund, ODS phase-out technologies have continuously been evolving. For example, the technology that was selected in a few countries for the replacement of CFC-11 used as a foam blowing agent was “50 per cent reduced CFC” (i.e., only 50 per cent of the total amount of CFC-11 used was phased out). Since then, a variety of technologies (such as HCFC-141b, hydrocarbon-based blowing agents, liquid carbon dioxide, to mention a few in the foam sector) were introduced in the global market and adapted, in many cases, to local conditions prevailing in Article 5 countries.

11. The evolving nature of technology development for ODS phase-out has been recognized by the Executive Committee. At the 20th meeting in October 1996, noting the statement by the Sub-committee on Project Review that “there was a presumption that projects would be implemented as approved, but that technology was evolving rapidly and some degree of flexibility might be required in exceptional cases”, the Executive Committee decided *inter alia*: that the implementing agencies should exceptionally be allowed to propose changes in the technology approved for particular projects; and that adequate and detailed justification should be provided for any changes proposed (decision 20/8).

12. Based on a document on draft guidelines for change of technology after project approval¹⁶, at its 22nd meeting the Executive Committee adopted the following guidelines for change of technology (decision 22/69):

- (a) There is a presumption that the technology selected in all projects will be mature and that the projects will be implemented as approved;
- (b) For projects approved after the adoption of these guidelines:
 - (i) Projects are to be implemented as approved;
 - (ii) Exemptions will be considered in the following circumstances:

¹⁴ Annex IV of document UNEP/OzL.Pro/ExCom/59/59.

¹⁵ Subparagraph 5 (d): “That the Country has submitted and received endorsement from the Executive Committee for a tranche implementation plan in the form of Appendix 4 A (the “Format of Tranche Implementation Report and Plan”) for each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen”.

¹⁶ UNEP/OzL.Pro/ExCom/22/72.

- a. The only other option would be cancellation of the project; or
- b. The project approved is for conversion to a transitional technology, and the revised proposal is for conversion in a single step to non-transitional technology;
- (iii) Such proposals will be submitted to the Executive Committee for individual consideration, together with the Secretariat's review and recommendations;
- (iv) The revised proposals will be implemented within the level of funding already approved;
- (c) For projects first approved before the adoption of these guidelines:
 - (i) Recognizing that there have been delays in project implementation, with possible implications for technology choice, proposals for change in technology of projects approved before adoption of these guidelines may be submitted; the revised project must be implemented within the level of funding already approved. The new proposal must demonstrate that the impediments to implementation of the project have been overcome and that implementation will commence immediately upon clearance of the proposal;
 - (ii) Where the change in technology has no other significant policy implications, the proposal may proceed on the basis of agreement between the Secretariat and the implementing agency, including agreement on the extent of savings to be realized, if any. The Executive Committee is to be informed at its next meeting;
 - (iii) Where the condition in guideline (c) (ii) above is not met, the project will be submitted to the Executive Committee for consideration of the relevant issues.

Some examples of the Executive Committee's experience in the application of the flexibility clause

13. The Executive Committee has considered several requests on the use of the flexibility clause in performance-based agreements. For example,

- (a) At its 46th meeting, it considered a request for the change of technology approved for the phase-out of MB in Lebanon from steam technology to the use of low-dose chemicals and substrates, resulting in US \$90,000 less than the cost of the original project. The Committee approved the revisions to the agreement, which would reduce the overall cost of the project for the phase-out of MB from US \$2,600,000 to US \$2,510,000 (decision 47/31);
- (b) At its 52nd meeting, it considered a request for an amendment to the 2007 work programme of the CFC production sector plan in China, for reallocating US \$2 million from the sector plan towards a chiller demonstration project approved pursuant to decision 46/33. The Committee decided not to approve the request because of inconsistency with the criteria for use of external funding sources specified in decision 46/33 (decision 52/18);
- (c) At its 52nd meeting, it considered a request for the procurement of two vehicles to be used in the implementation of the country's national ODS phase-out plan for CFCs in Cuba. The Committee decided to approve the request on the understanding that future progress

reports and the project completion report would advise on the final disposal of the vehicles (decision 52/20)

- (d) At its 52nd meeting, it considered a request for an amendment to an approved annual work plan, to allow use of funds from the national phase-out plan of Indonesia to assist enterprises established after 1995. As 2007 was the year in which Indonesia was to achieve complete phase-out of consumption of CFCs, CTC and TCA, it was important that the country and the agencies be authorized to address the remaining consumption in enterprises in all subsectors whether they had been established before or after July 1995. The Committee decided to authorize using the flexibility provided for under the Agreement, to enable funds to be used to cover all relevant national consumption, on the understanding that this would not change existing guidelines for determining eligible incremental costs for consumption and production (decision 52/21).

List of projects recommended for blanket approval

UNEP/OzL.Pro/ExCom/65/13
Annex II

| Project Title | Agency | ODP (tonnes) | Funds recommended (US\$) | | C.E. (US\$/kg) |
|----------------------------------------------------------------------------------------------|--------|-----------------|--------------------------|-----------------|-------------------|
| | | | Project | Support | |
| ARGENTINA | | | | | |
| FOAM | | | | | |
| Preparation of project proposal | | | | | |
| Preparation for HCFC phase-out investment activities in the foam sector (additional funding) | IBRD | | \$120,000 | \$9,000 | \$129,000 |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension for institutional strengthening project (phase VII: 1/2012-12/2013) | UNDP | | \$311,567 | \$23,368 | \$334,935 |
| Total for Argentina | | | \$431,567 | \$32,368 | \$463,935 |
| BOSNIA AND HERZEGOVINA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of the institutional strengthening project (phase III: 3/2012-2/2014) | UNIDO | | \$95,333 | \$7,150 | \$102,483 |
| Total for Bosnia and Herzegovina | | | \$95,333 | \$7,150 | \$102,483 |
| CAMEROON | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase VIII: 1/2012-12/2013) | UNEP | | \$139,532 | \$0 | \$139,532 |
| Total for Cameroon | | | \$139,532 | | \$139,532 |
| CHAD | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of the institutional strengthening project (phase V: 1/2012-12/2013) | UNEP | | \$60,000 | \$0 | \$60,000 |
| Total for Chad | | | \$60,000 | | \$60,000 |
| COSTA RICA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase IX: 1/2012-12/2013) | UNDP | | \$140,513 | \$10,538 | \$151,051 |
| Total for Costa Rica | | | \$140,513 | \$10,538 | \$151,051 |
| CUBA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase VIII: 1/2012-12/2013) | UNDP | | \$149,066 | \$11,180 | \$160,246 |
| Total for Cuba | | | \$149,066 | \$11,180 | \$160,246 |

List of projects recommended for blanket approval

UNEP/OzL.Pro/ExCom/65/13
Annex II

| Project Title | Agency | ODP (tonnes) | Funds recommended (US\$) | | C.E. (US\$/kg) |
|------------------------------------------------------------------------------------------|----------------------------|-----------------|--------------------------|-----------------|-------------------|
| | | | Project | Support | |
| INDIA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (remaining balance for phase VIII) | UNDP | | \$46,654 | \$3,499 | \$50,153 |
| | Total for India | | \$46,654 | \$3,499 | \$50,153 |
| INDONESIA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase VIII: 1/2012-12/2013) | UNDP | | \$271,246 | \$20,343 | \$291,589 |
| | Total for Indonesia | | \$271,246 | \$20,343 | \$291,589 |
| NIGER | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase VIII: 1/2012-12/2013) | UNEP | | \$64,828 | \$0 | \$64,828 |
| | Total for Niger | | \$64,828 | | \$64,828 |
| OMAN | | | | | |
| FOAM | | | | | |
| Rigid | | | | | |
| HCFC phase-out management plan (stage I, first tranche) (Assistance for the foam sector) | UNIDO | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Renewal of institutional strengthening support (phase IV: 12/2011-11/2013) | UNIDO | | \$68,467 | \$5,135 | \$73,602 |
| | Total for Oman | | \$68,467 | \$5,135 | \$73,602 |
| PANAMA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase V: 11/2011-10/2013) | UNEP | | \$149,500 | \$0 | \$149,500 |
| | Total for Panama | | \$149,500 | | \$149,500 |
| SENEGAL | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase IX: 1/2012-12/2013) | UNEP | | \$152,101 | \$0 | \$152,101 |
| | Total for Senegal | | \$152,101 | | \$152,101 |

List of projects recommended for blanket approval

UNEP/OzL.Pro/ExCom/65/13
Annex II

| Project Title | Agency | ODP (tonnes) | Funds recommended (US\$) | | C.E. (US\$/kg) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------|--------------------------|------------------|--------------------|
| | | | Project | Support | |
| SERBIA | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase IV: 12/2011-11/2013) | UNIDO | | \$131,300 | \$9,848 | \$141,148 |
| | Total for Serbia | | \$131,300 | \$9,848 | \$141,148 |
| TRINIDAD AND TOBAGO | | | | | |
| FUMIGANT | | | | | |
| Methyl bromide | | | | | |
| Technical assistance to phase out the use of methyl bromide <i>Approved on the understanding that no additional funding would be provided for methyl bromide activities in future for the country.</i> | UNEP | 0.2 | \$25,000 | \$3,250 | \$28,250 |
| | Total for Trinidad and Tobago | 0.2 | \$25,000 | \$3,250 | \$28,250 |
| URUGUAY | | | | | |
| SEVERAL | | | | | |
| Ozone unit support | | | | | |
| Extension of institutional strengthening project (phase IX: 1/2012-12/2013) | UNDP | | \$150,800 | \$11,310 | \$162,110 |
| | Total for Uruguay | | \$150,800 | \$11,310 | \$162,110 |
| VIETNAM | | | | | |
| FUMIGANT | | | | | |
| Methyl bromide | | | | | |
| National phase-out plan of out methyl bromide (third tranche) <i>The Government and the World Bank were requested to continue monitoring the phase-out of methyl bromide in Viet Nam and report back to the Executive Committee annually on the progress in meeting the reductions required by this project.</i> | IBRD | 10.0 | \$120,000 | \$9,000 | \$129,000 |
| | Total for Vietnam | 10.0 | \$120,000 | \$9,000 | \$129,000 |
| | GRAND TOTAL | 10.2 | \$2,195,907 | \$123,621 | \$2,319,528 |