



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/68/47  
7 November 2012

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-eighth Meeting  
Montreal, 3-7 December 2012

**PROCEDURES CURRENTLY IN FORCE FOR THE SUBMISSION OF PROJECT  
PROPOSALS FROM BILATERAL AND IMPLEMENTING AGENCIES ON BEHALF OF  
GOVERNMENTS OF ARTICLE 5 COUNTRIES (DECISION 67/17)**

## **Background**

1. At the 67<sup>th</sup> meeting one member sought clarification regarding the procedures to ensure that submissions were only made by bilateral and implementing agencies on behalf of Article 5 countries with the prior written endorsement of the government concerned, and that the agencies did not collect information from project beneficiaries without the consent of the relevant government. Following a brief discussion, the Secretariat was requested to prepare a document for consideration by the Executive Committee at its 68<sup>th</sup> meeting outlining the procedures currently in force for the submission of project proposals from bilateral and implementing agencies on behalf of governments (decision 67/17). This document has been prepared in response to decision 67/17.

## **Project eligibility criteria**

2. At the 3<sup>rd</sup> meeting (June 1991), the Executive Committee approved the “Implementation guidelines and criteria for project selection” (Annex III of document UNEP/OzL.Pro/ExCom/3/18/Rev.1). Section III of these guidelines sets out project eligibility criteria based on decision II/8 of the Second Meeting of the Parties to the Montreal Protocol and Appendix I to that decision (Annex IV, document UNEP/OzL.Pro.2/3), which established the interim Multilateral Fund and set out the agreed indicative list of categories of incremental costs respectively.

3. The Multilateral Fund’s project eligibility criteria state that the assistance available to Article 5 Parties shall be to facilitate compliance with the Protocol’s control measures and to finance the incremental costs incurred in meeting that requirement. The criteria also include the condition that “all projects<sup>1</sup> submitted for funding must receive approval of the requesting Party’s government”. The term, ‘projects’, is defined as “any activity qualifying for assistance under the Fund” and, as such, includes multi-year projects.

## **Services of implementing agencies**

4. The “Implementation guidelines and criteria for project selection” state that “In developing its country programme and/or individual projects, a Party may request technical assistance, other services and support from the implementing agencies within their respective areas of expertise and within the context of work programmes approved by the Executive Committee” (Section II, Annex III, UNEP/OzL.Pro/ExCom/3/18/Rev.1). The guidelines also state that “the Executive Committee shall invite implementing agencies and other appropriate agencies depending on their expertise, to develop work programmes in cooperation with recipient countries in order to receive support from the Multilateral Fund”.

## **Business plans of agencies**

5. For the first Executive Committee meeting of each year, the implementing and relevant bilateral agencies prepare business plans that set out projects and activities to target the ODS phase-out needed for each Article 5 country over the next three-year period. The business plans also include information on tranches of multi-year agreement (MYA) projects<sup>2</sup>, beyond the three-year period. Since the 38<sup>th</sup> meeting the Model rolling three year phase-out plan which sets out the ODS phase-out required by each country is

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<sup>1</sup> A ‘project’ could include, inter alia, training, technical assistance, pre investment studies, country programme preparation, technology development or capital investments to modify or establish a manufacturing facility. During the first years of operation of the Multilateral Fund, the Executive Committee tended to work on a project-by-project basis.

<sup>2</sup> Multi-year projects are governed by agreements between the Executive Committee and country concerned that include a schedule for the submission of tranche requests and the amount of funding, in principle, to be requested.

normally prepared by the Secretariat<sup>3</sup> as a flexible guide to assist implementing agencies to prepare their business plans.

6. An agency must receive a written request from an individual government to undertake a project prior to including the project in its business plans. The Secretariat does not normally require a copy of a government's written request to an agency to undertake projects and activities, since it manages any inconsistencies and/or potential overlaps between agencies' business plans through a country by country review process carried out at an inter-agency coordination meeting. This meeting is convened by the Secretariat prior to the official submission of the agencies' business plans, in order to examine the projects and activities for each Article 5 country and ensure that each country's compliance needs are addressed. If the Secretariat finds any overlaps between agencies, it requests the agencies concerned to provide the pertinent letters from the relevant governments to clarify the situation. The inter-agency meeting also provides implementing agencies with an opportunity to coordinate with other agencies to resolve any potential overlaps.

7. Following the inter-agency coordination meeting, the implementing agencies officially submit their business plans to the Secretariat for consideration by the Executive Committee. The Secretariat reviews the business plans and may request clarifications or further information from the agencies. The Secretariat forwards the business plans together with its comments for consideration and eventual endorsement by the Executive Committee.

8. A project can be replaced in a business plan only when confirmation is provided that the government concerned has been informed in writing by the implementing agency of the reasons why its project or projects had been deferred or deleted from the agency's business plan and that the replacement project or projects would be essential to enable a country to meet a compliance commitment. Confirmation is also needed on whether any delay in the replacement project's approval and implementation would result in the country being in non-compliance with the Montreal Protocol (decision 34/19).

### **Interactions between Article 5 countries and implementing agencies**

9. In addition to the implementation guidelines mentioned above the Executive Committee has taken several decisions regarding the interactions between Article 5 countries and implementing agencies.

10. At its 8<sup>th</sup> meeting, in order to expedite project preparation and implementation, the Executive Committee approved Guidelines for presentation of projects and criteria for project approval (Annex III, document UNEP/OzL.Pro/ExCom/8/29) covering project preparation, project submission and review, and project implementation. Regarding project preparation the Executive Committee decided that:

- Article 5 Parties and designated implementing agencies should work together to expedite the preparation of country programmes, work programmes, and project proposals.
- Article 5 Parties should select an approved implementing agency before preparing projects for submission to the Executive Committee.

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<sup>3</sup> In light of the business planning approach agreed for the period 2010-2014, the Committee did not take its usual step of adopting the 2011-2013 model rolling three-year phase-out plan as a flexible guide for resource planning for the corresponding period. The model three year rolling phase-out plan was updated for the years 2013-2015 when the HCFC baseline had been established and provided guidance for the preparation of a business plan for the Multilateral Fund for 2013-2015 (decision 62/5). At its 67<sup>th</sup> meeting the Executive Committee requested the Secretariat to assess the HCFC compliance requirements for all Article 5 countries in the document on status reports and compliance to serve as a guide for preparation of the Multilateral Fund's business plan (decision 67/6(c)).

- Article 5 Parties and designated implementing agencies should develop proposed timelines for preparation and implementation of projects.

11. Following its consideration of the Final report on the 1999 evaluation of refrigeration projects and draft follow-up action (document UNEP/OzL.Pro/ExCom/30/5), the Executive Committee decided that implementing agencies must inform the national ozone units (NOUs) of the purpose and outcome of all missions by their staff and consultants to the countries concerned, and always involve NOUs in project identification and preparation (decision 30/6(e)).

12. At the same meeting the Final report on the 1999 evaluation of institutional strengthening projects and draft follow-up action plan (document UNEP/OzL.Pro/ExCom/30/6 & Corr.1) highlighted the importance of an adequate mandate and position for NOUs and their full involvement in planning phase-out activities. In recognition of this the Executive Committee requested implementing agencies: to ensure that project proposals are based on the current strategic planning of the Article 5 country government and to ensure that the NOU is fully involved in the planning and preparation of projects; to regularly provide NOUs with information on the progress of project implementation; and, to assist them in improving their capacity to monitor and evaluate projects implemented and their impact at the country level (decision 30/7(e)). In addition the Executive Committee decided that implementing agencies in charge of institutional strengthening projects should follow up the phase-out status and problems encountered by NOUs and discuss and propose possible solutions with them (decision 30/7(d)).

### **Submission of project proposals**

13. Project proposals for consideration by the Executive Committee are submitted to the Secretariat by implementing agencies on behalf of the governments concerned. Project proposals submitted must be in the agencies annual business plan for the corresponding year otherwise they will not be considered. At its 60<sup>th</sup> meeting the Executive Committee decided to defer consideration of approval of new activities not required for compliance or not previously considered by the Executive Committee until after their consideration in the context of business plans at the first Meeting of the year (decision 60/9(b)).

### *Submission deadlines*

14. Projects proposals for consideration by the Executive Committee must be submitted to the Fund Secretariat by the following deadlines to allow the Secretariat adequate time for their review:

- Multi-year phase-out plans including the submission of HCFC phase-out plans (HPMPs): 14 weeks before the Executive Committee meeting (decision 38/65)
- Projects in the consumption sector with a requested level of funding of more than US \$5 million: 12 weeks before the Executive Committee meeting (decision 20/7)
- HCFC projects in the consumption sector with a level of funding of more than US \$5 million should be submitted as one project proposal covering all the enterprises in the relevant sector or sub-sector and the project proposal: 12 weeks before the Executive Committee meeting (decision 60/12).
- Project proposals under US \$5 million before the Executive Committee meeting: 8 weeks before the meeting (decision 17/18).

### *Government transmittal letters and other written commitments*

15. In accordance with the decision on guidelines and criteria for project selection taken at the

3<sup>rd</sup> meeting, the Secretariat checks that each project proposal is accompanied by a transmittal letter<sup>4</sup>. In the case of renewal of institutional strengthening (IS) projects, the renewal form<sup>5</sup> used by countries includes a specific box for signature by the government official authorizing the IS project plan. The signed form should be submitted to the Secretariat to allow consideration of the IS project by the Executive Committee.

16. The Executive Committee may occasionally request other specific written commitments and undertakings regarding project proposals. For example the Committee decided that any future projects for liquid carbon dioxide (LCD) technology would have to be developed taking fully into consideration the need for countries to provide written confirmation that they understood the possible problems with the application of LCD technology (decision 41/77). In addition there are several other decisions, which are now no longer applicable, that illustrate the Executive Committee's ongoing intention to ensure the involvement of governments of Article 5 countries in the submission of their projects by implementing agencies. These include the following:

- Documentation for country programmes submitted to the Fund Secretariat had to include a transmittal letter from the government concerned (Annex III of document UNEP/OzL.Pro/ExCom/5/16).
- At the 27<sup>th</sup> meeting, the Committee decided to request that implementing agencies provide, for all future projects or groups of projects for HCFCs from any country, a letter from the Government concerned stating that at the present time, the projects were needed to use HCFCs for an interim period; and, that it understood that no funding would be available for the future conversion from HCFCs for these companies (decision 27/13).
- The approval of additional funding for refrigeration management plan (RMP) updates was contingent on submission of the progress reports and the written justification from countries, explaining how the additional activities were related to the RMP and the country's phase-out commitments (decision 33/13).
- Implementing agencies were requested to comply fully with decision 33/2 (c), (e), and (f) on the final report of the evaluation of foam projects and to include the undertakings from governments in relation to sustained reductions in sectoral consumption and obligations to cease using CFCs in their projects submitted to the 35<sup>th</sup> and later meetings (decision 34/14).
- Projects which involved conversion to HCFC-141b, had to include in the meeting documentation the letter from the Government concerned, explaining the reasons for the choice of the technology, as per decisions 23/20 and 27/13 (decisions 34/51).
- Project proposals for the phase-out of CFCs in metered-dose inhalers (MDIs) had to include a written commitment for significant counterpart funding from the companies requesting assistance (decisions 52/25 and 52/30).

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<sup>4</sup> This government endorsement was specifically requested in the case of refrigerant management plans (RMPs) by the guidelines for RMPs (decisions 23/15 and decision 31/48(h)) which explicitly stipulate the requirement for a signed transmittal letter from the government concerned.

<sup>5</sup> Institutional strengthening (IS) projects, are "considered as special projects subject to approval by the Executive Committee on the basis of a written request submitted by the interested Party" (paragraph 74(1) of UNEP/OzL.Pro/ExCom/7/30). The format for IS renewal requests was approved at the 31<sup>st</sup> meeting and subsequently revised at the 32<sup>nd</sup> meeting (decision 32/17) and 61<sup>st</sup> meeting (decision 61/43).

*Secretariat's review of project proposals*

17. After reviewing each project proposal, the Secretariat sends the implementing agency concerned its comments with a request for clarifications and/or additional information. Agencies prepare their responses to the Secretariat's comments in consultation with the Article 5 country concerned and normally reply to the Secretariat's comments within five working days of their receipt. The Secretariat may grant an extension if circumstances so require, for example, if the agency needs more time to confer with the Article 5 country concerned.

18. No project proposals is submitted to the Executive Committee until agreement is reached between the implementing agency and the Secretariat on the cost of items of capital equipment and the operating costs required to implement the project. Where no agreement is achieved, the underlying basis of the disagreement is presented to the Executive Committee for consideration prior to consideration of the project (decision 20/15). Projects for which agreement cannot be reached on major technical eligibility issues 10-days (two calendar weeks) prior to the meeting are deferred (decision 25/15).

19. The Secretariat does not include in meeting documentation, proposals for projects and activities that, by the submission deadline for each meeting, did not contain the information or components necessary for the submission to be considered as potentially approvable. A list of such proposals received but not included in meeting documentation, together with the reasons for non-inclusion, is provided to the Executive Committee (decision 50/14 (a) and (b)).

20. At its meeting, the Executive Committee considers each project and activity either individually or in the recommended list of blanket approvals and takes decisions as appropriate, including adding any specific conditions to the approval of projects. Occasionally the Executive Committee requires a clarification or further information on a project that an implementing agency is not able to provide. In these cases the Committee will suspend its discussion of the project to allow the implementing agency time to consult with the Government of the country concerned.

*Letters to Governments*

21. Following each Executive Committee meeting the Fund Secretariat writes to the Article 5 countries concerned apprising them of the approval or non-approval of their project proposals and any other decisions relevant to their country including those on project implementation delays and/or project cancellation.

**Discussion**

22. From the above analysis it can be concluded that procedures currently in force for the submission of project proposals ensure that:

- Projects included in agencies' business plans should have the consent of the governments of the Article 5 countries concerned;
- Projects proposals are submitted for consideration by the Executive Committee only with the written approval of the government of the country concerned;
- Consultations and interactions between an Article 5 country and an implementing agency on a project take place from the time of business planning, through the project preparation phase and review of submissions by the Secretariat, and in some cases at the time of consideration of the project proposal by the Executive Committee;
- The Secretariat informs Article 5 countries of project approvals and deferrals by way of a

letter to the government concerned shortly after the Executive Committee meeting.

**RECOMMENDATION**

23. The Executive Committee may wish to note document UNEP/OzL.Pro/ExCom/68/47 outlining the procedures currently in force for the submission of project proposals from bilateral and implementing agencies on behalf of governments of Article 5 countries.

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