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Addendum

RAPPORTS PÉRIODIQUES ET CONFORMITÉ

Le présent document est émis pour **ajouter** :

- La partie V : Rapport sur les activités de mobilisation des ressources;
- La Partie VI : Rapports de vérification et rapports périodiques sur le bromure de méthyle;
- La Partie VII : Rapport périodique du PNUE sur la mise en œuvre de la décision 66/15 du Comité exécutif.

PARTIE V : RAPPORT SUR LES ACTIVITÉS DE MOBILISATION DES RESSOURCES

1. À sa 63^e réunion, le Comité exécutif a approuvé un financement de 680 000 \$US pour quatre projets individuels de mobilisation des ressources au niveau mondial, à mettre en œuvre par le PNUD (200 000 \$US), le PNUE (100 000 \$US), l'ONUDI (200 000 \$US) et la Banque mondiale (180 000 \$US). Ces projets se proposent de mobiliser des ressources afin d'obtenir des avantages climatiques allant au-delà de ceux qui peuvent être obtenus seulement sur la base de l'élimination des HCFC. Des rapports provisoires ont été remis par le PNUD, le PNUE, l'ONUDI et la Banque mondiale à la 66^e réunion. Par la décision 66/15(m) et (o), le Comité exécutif a prié le PNUE et la Banque mondiale de remettre un rapport plus détaillé à 68^e réunion.

Au niveau mondial : Mobilisation des ressources pour des avantages climatiques connexes (PNUE)

Rapport périodique

2. En dépit de nombreux rappels, le PNUE n'a pas remis au Secrétariat un rapport sur l'avancement de la mise en œuvre du projet sur la mobilisation des ressources pour des avantages climatiques connexes.

Recommandation du Secrétariat

3. Le Comité exécutif pourrait envisager de prier instamment le PNUE de soumettre un rapport final sur ce projet à la 69^e réunion, ou bien de restituer le financement approuvé pour ce projet si aucun progrès n'est enregistré d'ici là.

Au niveau mondial : Mobilisation de ressources pour l'élimination des HCFC et effets bénéfiques connexes sur le climat (Banque mondiale)

Rapport périodique

4. La Banque mondiale a fourni des informations sur les activités entreprises entre la 66^e et la 67^e réunion en vue de la mobilisation des ressources. Dans son rapport, la Banque mondiale a rappelé que l'étude en cours de réalisation avait pour objectif d'identifier et de souligner des moyens de financement, à partir d'autres ressources, des améliorations en matière d'efficacité énergétique qui pourraient aller de pair avec la transition à des technologies sans SAO financées par le Fonds multilatéral. Ceci prendrait en main les insuffisances de financement et les opportunités manquées durant la mise en œuvre des projets d'élimination des SAO et maximiserait les synergies avec le financement lié au changement climatique en général, en mettant l'accent sur les portefeuilles de la Banque mondiale concernant tout spécialement l'efficacité énergétique et le changement climatique.

5. Le rapport fournit une description plus détaillée de l'étude proposée, assortie d'explications annotées pour chacune des sections spécifiques. Celle-ci examinera les éléments financiers concernant l'atténuation du changement climatique, les économies d'énergie, les modèles conceptuels pour la monétisation initiale, les options d'intéressement aux résultats ainsi que les possibilités d'investissements. La Banque mondiale a également fait part d'un changement d'approche dans cette étude qui utilisera à présent l'expertise interne de la Banque en matière de financement de la lutte contre le changement climatique au lieu de faire appel, comme le suggérait la proposition initiale, à une entreprise indépendante de consulting. En outre, du fait de la faiblesse actuelle du marché du carbone, l'étude s'attardera moins sur la monétisation initiale mais se concentrera à la place davantage sur de plus larges opportunités de financement liées au changement climatique pour les économies d'énergie.

6. La Banque mondiale a également fourni des informations sur ce qu'on appelle les éléments transversaux qui ont besoin d'être considérés lorsque l'on recherche de vastes montages financiers tels que l'additionalité des projets proposés, la transparence et la bonne gouvernance, l'assurance que ces projets éviteront le recours à des mesures incitatives perverses pour les pays, l'exploration de possibilités d'intéressement aux résultats - notamment des restitutions de fonds aux Fonds multilatéral, la garantie de la durabilité des projets proposés, les mesures prises pour éviter le chevauchement avec des projets similaires, et aussi des informations sur les frais de transaction, ceci conformément à la décision 63/23(a)(ii). Le rapport remis par la Banque mondiale est joint en annexe I au présent document (UNEP/OzL.Pro/ExCom/68/6/Add.1).

Observations du Secrétariat

7. Le Secrétariat a fait des observations sur le rapport périodique présenté par la Banque mondiale et a discuté de plusieurs questions, en particulier celles concernant le changement d'approche de l'étude, les liens avec le financement actuel de l'efficacité énergétique à partir d'autres sources et comment cela est pris en considération dans ce projet, et comment, entre autres, le résultat du projet conduira à la mobilisation des ressources. Le Secrétariat a également demandé des explications sur l'avancement actuel de l'étude et si sa date d'achèvement n'avait pas changé, soulignant l'importance pour les pays de la disponibilité de ces informations lors de la préparation de la phase II de leur PGEH.

8. Lors des discussions, la Banque mondiale a expliqué qu'une équipe avait déjà été formée à ces fins au sein de la Banque mondiale et que celle-ci avait commencé une analyse des dossiers disponibles à la Banque, en particulier ceux qui ont trait aux synergies potentielles et peuvent constituer des sources futures de financement. Elle a aussi indiqué que le changement d'approche, consistant à achever l'étude de façon interne plutôt que de travailler avec un consultant externe, s'expliquait par le fait que cette étude offrait l'opportunité de faire le lien avec les activités existantes de la Banque mondiale sur le financement portant sur l'énergie, le financement de la lutte contre le changement climatique et les activités principales liées à l'ozone. La Banque estimait qu'il s'agissait d'une perspective importante qui allait permettre l'identification des projets mettant en relation l'élimination des HCFC avec d'autres priorités de la Banque, étant donné qu'il existait de nombreuses sources potentielles inexploitées au sein de la Banque même. La Banque mondiale a toutefois précisé qu'elle ne se contenterait pas seulement d'explorer les possibilités internes, mais en même temps les possibilités existant en dehors de la Banque.

9. En réponse aux craintes du Secrétariat que le résultat de cette étude ne se résume qu'à un exercice théorique, la Banque mondiale a confirmé que le rapport comprendrait des exemples pratiques sur la façon dont le manque de financements pourra être pris en main en s'appuyant sur des cas de projets spécifiques. Elle a également confirmé que le résultat final serait prêt aux fins d'examen par le Comité exécutif à la 69^e réunion, conformément au calendrier prévu.

Recommandation du Secrétariat

10. Le Comité exécutif pourrait souhaiter prendre note du rapport provisoire sur la mobilisation des ressources pour des avantages climatiques connexes soumis par la Banque mondiale et d'exhorter celle-ci à lui remettre à sa 69^e réunion un rapport final sur cette étude.

PARTIE VI : RAPPORTS DE VÉRIFICATION ET RAPPORTS PÉRIODIQUES SUR LE BROMURE DE MÉTHYLE

11. Les rapports de vérification et les rapports sur le bromure de méthyle qui étaient présentés et qui ne faisaient pas partie d'une demande de tranche de financement ou d'un rapport d'achèvement de projet sont examinés dans le document intitulé « Rapports périodiques et conformité » conformément à la décision 66/16(b)(iv). Des rapports de vérification ont été soumis à la 68^e réunion sur les accords pluriannuels suivants : Chine : Plan sectoriel des agents de transformation (phase II) - état d'avancement

de l'élimination du CTC dans les applications d'agent de transformation PA II ; Nigeria : Rapport périodique sur la mise en œuvre finale (2010-2012) et rapport de vérification de la consommation pour 2009 et 2010 ; et Tunisie : Plan national d'élimination des SAO (rapport de vérification 2010 sur les consommations de CFC et de halons). Un rapport sur le bromure de méthyle a été soumis pour le Costa Rica.

Chine : Plan sectoriel des agents de transformation (phase II) : état d'avancement de l'élimination du CTC dans les applications d'agent de transformation PA II (Banque mondiale)

12. La Banque mondiale soumet à la 68^e réunion, au nom du gouvernement de la Chine, deux documents se rapportant à la production et à la consommation des SAO dans les utilisations en tant qu'agent de transformation :

- (a) Un rapport de vérification de la consommation de CTC de 2010 pour le plan sectoriel des agents de transformation – phase II (PA II) ; et
- (b) Un rapport de vérification de la production et de la consommation de CTC de 2010.

13. Toutes les tranches de financement en vertu du PA II ont été décaissées et le programme mis en œuvre.

14. À la 65^e réunion, le Secrétariat a fait savoir que dans la vérification de 2010 alors déjà présentée, la Banque mondiale avait changé le format du rapport de vérification concernant la production d'agents de transformation et la consommation de CTC en Chine en comparaison avec les rapports précédents. Le Secrétariat a souligné que plusieurs entreprises ayant subi des changements en 2010 tels que des fermetures d'installations ou des reconversions n'avaient pas fait l'objet d'une visite.

15. Le Comité exécutif avait pris la décision 65/10(i) afin de demander à la Banque mondiale de fournir une vérification indépendante de la consommation et de la production de CTC pour les usages réglementés pour 2010, qui devrait, au minimum, vérifier l'établissement du système de suivi et la qualité des renseignements fournis par le système, effectuer des visites de site dans les entreprises visées qui n'ont pas encore été inspectées et inspecter à nouveau un échantillon d'entreprises déjà inspectées afin de recueillir les données nécessaires pour le rapport de vérification.

16. Le Secrétariat a examiné les rapports de vérification reçus et a noté :

- (a) que la vérification incluait maintenant quatre entreprises supplémentaires comprises dans le plan PAII dans lesquelles les vérificateurs ne s'étaient pas rendu précédemment, sélectionnées à partir d'une liste, envoyée par le Secrétariat à la Banque mondiale avant la 65^e réunion, mentionnant neuf entreprises dont la vérification était en souffrance - les cinq entreprises restantes étant Changshu Xiangyang, Yancheng Runhua, Yixing Yonggu, Sanonda (Jinzhou), et and Jiangsu Changlong (deux lignes démantelées) ;
- (b) et que la vérification de la mise en place du suivi du CTC et de la qualité des informations fournies par le biais du système n'avait pas été réalisée. Le Secrétariat a chargé la Banque mondiale de modifier en conséquence le rapport de vérification. La Banque mondiale a soumis une page d'explication sur le fonctionnement du système de suivi en ligne, pas encore intégrée dans rapport de vérification et non assortie d'une évaluation de la qualité de l'information.

17. Le Secrétariat rappelle que dans la documentation soumise à la 65^e réunion, il avait noté que la Banque mondiale avait fourni d'excellents rapports de vérification en ce qui concerne les PA I et PA II et la production de CTC pour toutes les années allant jusqu'en 2009 inclus, s'assurant que les réductions

convenues dans la consommation et la production avaient eu lieu et que les capacités de fabrication concernées avaient été reconverties ou démantelées.

18. Le Secrétariat voudrait attirer l'attention sur l'achèvement de la mise en œuvre des plans PA I et II en Chine et sur le fait que Comité exécutif avait demandé aux agences d'exécution aux termes de sa décision 66/16(b)(iv) de soumettre des rapports d'achèvement de projet d'accord pluriannuel conjointement avec tout rapport de vérification disponible, entre autres pour le CTC.

Recommandation

19. Le Comité exécutif pourrait envisager de demander à la Banque mondiale, au nom du gouvernement de la Chine, de soumettre un rapport d'achèvement de projet pour le plan sectoriel des agents de transformation – phase II, accompagné d'un rapport de vérification de 2010 révisé pour le secteur ainsi que pour la production et la consommation de CTC conformément à la décision 65/10(i), au plus tard à la 70^e réunion du Comité exécutif.

Nigeria : Rapport périodique sur la mise en œuvre finale (2010-212) et rapport de vérification de la consommation pour 2009 et 2010

20. Au nom du gouvernement du Nigeria, le PNUD, en qualité d'agence d'exécution, a soumis à la 68^e réunion du Comité exécutif un rapport de vérification de consommation pour 2009 et 2010 ainsi qu'un rapport sur la mise en œuvre du plan national d'élimination (NPP) des CFC. Le Comité exécutif a approuvé le NPP pour le Nigeria à sa 38^e réunion afin d'éliminer complètement la consommation de CFC dans le pays d'ici au 31 décembre 2009. Un financement d'un montant de 13 130 786 \$US plus coûts d'appui d'agence a été approuvé en huit tranches, les deux dernières tranches ayant été approuvées à la 59^e réunion, en 2009. Le rapport de vérification confirme les données communiquées au titre de l'article 7 soumises par le Nigeria pour 2009 et 2010, avec un niveau de consommation de 15,13 tonnes PAO pour 2009 et de 0 tonne PAO pour 2010. Le rapport fournit également un bon aperçu de l'amélioration considérable de l'administration des données par les autorités douanières depuis 2003 ainsi que dans les relations entre les douanes et l'Unité nationale de l'ozone, générant des données de consommation fiables. Le rapport de mise en œuvre couvre la période allant de janvier 2010 à aujourd'hui. Pendant cette période, deux entreprises de mousse supplémentaires ont été reconverties, faisant passer le total à 112 entreprises. 107 agents des douanes supplémentaires ont été formés, faisant un total de 803 agents des douanes et 500 transitaires recevant une formation. Les 1 400 techniciens frigoristes spécialistes de l'entretien formés depuis 2010 amènent le nombre de techniciens formés dans le cadre du projet à un total de 10 813. Le PNUD informe qu'il y a actuellement un solde restant de 38 785 \$US, dont une partie sera utilisée pour la publication de « La mise en œuvre du plan national d'élimination des CFC au Nigeria : des objectifs parfaitement ciblés », tandis que l'autre partie devrait être restituée au Fonds multilatéral ou bien être déduite d'un futur financement de PGEH.

21. Le Secrétariat, après avoir examiné la proposition, recommande au Comité exécutif de :

- (a) Prendre note du rapport de vérification pour la consommation de CFC au Nigeria pour 2009 et 2010 ;
- (b) Prendre note du rapport sur la mise en œuvre du plan national d'élimination des CFC pour le Nigeria de 2010 à 2012 ; et
- (c) Approuver l'utilisation des fonds restants pour une publication et la restitution du solde au Fonds multilatéral, conformément à la proposition.

Tunisie : Plan national d'élimination des SAO (rapport de vérification 2010 sur la consommation de CFC et de halons)

22. Au nom du gouvernement de la Tunisie, la Banque mondiale en qualité d'agence d'exécution a soumis à la 68^e réunion du Comité exécutif un rapport de vérification de consommation pour 2010, conformément aux dispositions de la décision 65/10(f)(iii). Un plan national d'élimination des SAO pour la Tunisie a été approuvé à la 49^e réunion en 2006 afin d'éliminer les CFC et les halons. Le rapport de vérification confirme qu'il n'y avait pas d'importations de CFC ni de halons en 2010 et que la consommation du pays pour 2010 pour ces deux groupes de substances était de zéro tonnes PAO. Le rapport de vérification a aussi confirmé que le processus de contrôle des importations pour les substances figurant à l'Annexe A, Groupes I et II (soit CFC et halons) est fiable, et que les contrôles des importations de SAO sont correctement appliqués à chaque étape du processus d'importation. Toutefois, le processus d'autorisation ne couvre pas actuellement les importations pour les entreprises exportant toutes les denrées manufacturées.

23. Le Secrétariat, après avoir examiné la proposition, recommande au Comité exécutif de prendre note du rapport de vérification pour la consommation de CFC et de halons en Tunisie pour 2010.

Costa Rica : Rapport périodique sur la mise en œuvre de l'élimination totale du bromure de méthyle utilisé comme fumigène pour la culture des melons, des fleurs coupées et des bananes, et pour les lits de semence du tabac et les pépinières, à l'exception des applications sanitaires et préalables à l'expédition (PNUD)

Contexte

24. Au nom du gouvernement du Costa Rica, le PNUD a soumis à la 68^e réunion le rapport périodique annuel de 2012 sur la mise en œuvre de la cinquième tranche de l'élimination totale du bromure de méthyle utilisé comme fumigène pour la culture des melons, des fleurs coupées, et des bananes, et pour les lits de semence du tabac et les pépinières, à l'exception des applications sanitaires et préalables à l'expédition.

25. Le projet a été approuvé en principe par le Comité exécutif lors de sa 35^e réunion, assorti du financement de la première tranche (1 211 321 \$US) plus coûts d'appui d'agence de 143 245 \$US pour le PNUD. La deuxième et la troisième tranches, d'un montant total de 1 938 114 \$US plus coûts d'appui d'agence de 145 359 \$US, ont été approuvées à la 43^e réunion, et la quatrième tranche, d'un montant total de 969 057 \$US, plus coûts d'appui d'agence de 72 679 \$US, a été approuvée à la 49^e réunion. À sa 59^e réunion, le Comité exécutif a approuvé la cinquième tranche du projet pour un coût total de 726 791 \$US plus coûts d'appui d'agence de 54 509 \$US pour le PNUD, avec le calendrier de décaissement suivant : 363 400 \$US en 2009, 255 000 \$US à la fin de 2010, et 108 391 \$US à la fin de 2012, étant entendu que les sommes de 2010 et 2012 ne seraient décaissées que sur présentation d'un rapport devant être présenté par le PNUD indiquant que les objectifs d'élimination ont été respectés (décision 59/36(c)). La décision 59/36(d) demandait aussi au PNUD de présenter des rapports périodiques annuels sur la mise en œuvre du projet, y compris des rapports financiers, jusqu'à ce que le projet soit terminé.

Rapport périodique annuel

26. Des technologies de remplacement ont été introduites dans toutes les exploitations, notamment la solarisation en combinaison avec la bio-fumigation et/ou des fumigènes chimiques de remplacement. Après plusieurs missions et un échange d'expériences acquises entre experts du Honduras et du Costa Rica sur l'utilisation de la bio-fumigation, les surfaces traitées au moyen de cette technologie ont augmenté dans des proportions importantes et celle-ci fait actuellement partie des technologies de remplacement favorites. L'introduction d'autres cultures telles que le riz et/ou le maïs en dehors de la saison de la culture des melons s'est révélée efficace dans la lutte contre les organismes nuisibles présents

dans le sol et pour réduire les taux de dosages des engrais et des fumigènes. Une assistance technique a été fournie pour améliorer la productivité des exploitations agricoles ; des recherches ont été également menées sur l'utilisation d'un champignon autochtone bénéfique et l'utilisation des moyens de lutte biologiques. Sur le total de 4 845 283 \$US du financement approuvé, 4 548 053 \$US ont été décaissés et le solde de 297 230 \$US sera décaissé en 2013 et 2014.

Autres activités à entreprendre

27. Les activités suivantes sont proposées pour 2013-2014 assorties d'un budget de 297 300 \$US : acquisition d'équipements supplémentaires pour améliorer la production des moyens de lutte biologiques, augmentation de la capacité d'entreposage pour les microorganismes bénéfiques, assistance technique pour soutenir la production de moyens de lutte biologiques, programmes de formation pour les agriculteurs afin d'aider la reconversion des exploitations à des technologies de lutte biologiques, maintien d'une communication ouverte avec le gouvernement afin d'assurer que l'élimination complète du bromure de méthyle soit achevée d'ici au 1^{er} janvier 2013 et, pour finir, des activités de suivi.

Observations du Secrétariat

28. Le gouvernement du Costa Rica a fixé un quota d'importation de 85,0 tonnes PAO de bromure de méthyle pour 2012, quantité équivalente au niveau mentionné dans le calendrier révisé accepté à la 59^e réunion. Le PNUD a également confirmé que le gouvernement du Costa Rica n'allouera plus de quotas pour les usages réglementés du bromure de méthyle.

29. Des questions, portant sur la durabilité à long terme des diverses technologies de remplacement qui sont introduites et la mesure dans laquelle celles-ci ont été acceptées par les cultivateurs, ont été abordées et discutées. Le PNUD a expliqué qu'aucun quota ne sera alloué pour les usages réglementés du bromure de méthyle (comme le stipule la législation actuelle sur les SAO). Par l'intermédiaire du projet, les agriculteurs ont reçu divers outils et équipements qui leur permettront de prendre en main tout risque d'infestation pouvant apparaître dans le futur. La rotation des cultures et des superficies cultivées en conjugaison avec les technologies de remplacement introduites, notamment la lutte biologique, les fumigènes chimiques de remplacement, employés seuls ou en combinaison avec la solarisation, constituent des approches de remplacement suffisantes pour la poursuite de l'approche sans bromure de méthyle. On s'attend également à l'augmentation du coût du bromure de méthyle lorsqu'il sera importé dans des quantités moindres, ce qui favorisera l'utilisation des produits de remplacement. De plus, les exigences du marché international des produits alimentaires stipulant un traitement chimique minimum voire aucun traitement contribueront également à la durabilité des technologies.

Recommandation du Secrétariat

30. Le Secrétariat du Fonds recommande au Comité exécutif de :

- (a) Prendre note du rapport périodique annuel de 2011 sur la mise en œuvre de la cinquième tranche du projet au Costa Rica de l'élimination totale du bromure de méthyle utilisé comme fumigène pour la culture des melons, des fleurs coupées, et des bananes, et pour les lits de semence du tabac et les pépinières, à l'exception des applications sanitaires et préalables à l'expédition ;
- (b) Autoriser le décaissement de 297 300 \$US par le PNUD pour le Costa Rica en tant qu'élément de la cinquième tranche du projet ; et
- (c) Demander au PNUD de soumettre le projet d'achèvement de rapport au Comité exécutif peu après l'achèvement de la cinquième tranche du projet.

PARTIE VII : RAPPORT PÉRIODIQUE DU PNUE SUR LA MISE EN ŒUVRE DE LA DÉCISION 66/15 DU COMITÉ EXÉCUTIF

République populaire démocratique de Corée : rapport périodique du PNUE sur la mise en œuvre de la décision 66/15 du Comité exécutif

Contexte

31. À sa 64^e réunion, le Comité exécutif a décidé de reporter à sa 66^e réunion l'examen de la demande de renouvellement du projet de renforcement des institutions pour la République populaire démocratique de Corée et il a demandé au Secrétariat et au PNUE, en qualité d'agence d'exécution, de proposer à la 66^e réunion du Comité exécutif des méthodes de remplacement pour le décaissement, les structures organisationnelles et les procédures de suivi (décision 64/20). Le PNUE a soumis un rapport à la 66^e réunion, lors de laquelle le Comité exécutif a décidé aux termes de la décision 66/16(k) de demander au PNUE et aux autres agences d'exécution intéressées de continuer à proposer d'autres méthodes de décaissement, des structures organisationnelles et des procédures de suivi, en tenant compte de l'expérience acquise par les agences œuvrant sur le terrain, aux fins d'examen par le Comité exécutif à sa 68^e réunion (décision 66/15(k)). La demande de renouvellement du renforcement des institutions a été reportée jusqu'à ce que cette nouvelle information soit examinée par le Comité exécutif.

32. Le PNUE a soumis à la 68^e réunion un rapport périodique sur la mise en œuvre de la décision 66/15 du Comité exécutif sur le projet de renforcement des institutions dans la République populaire démocratique de Corée. Ce rapport est présenté en annexe II au présent document (UNEP/OzL.Pro/ExCom/68/6/Add.1).

Observations du Secrétariat

33. Le Secrétariat a noté que le rapport du PNUE ne proposait pas de nouvelles options de remplacement pour le décaissement et le suivi autres que celles présentées à la 66^e réunion. Le PNUE a expliqué qu'à l'issue des discussions avec le PNUD, l'ONUDI et les autres agences, il avait conclu que cette option « serait la meilleure et la plus viable compte tenu des contraintes du cadre administratif du PNUE ».

34. Lors de l'examen du rapport soumis, le Secrétariat a noté les nouvelles informations suivantes résultant des consultations supplémentaires avec le PNUD et l'ONUDI :

- (a) En ce qui concerne le transfert du projet de renforcement des institutions à une autre agence, l'ONUDI, qui est l'agence principale du PGEH pour la République populaire démocratique de Corée soumise à la 68^e réunion, a indiqué « que des consultations avec son Département administratif lui avaient appris qu'elle était confrontée à des problèmes similaires à ceux rencontrés par le PNUE et c'est pourquoi l'ONUDI ne sera pas en mesure de satisfaire aux exigences du Comité exécutif en ce qui concerne la gestion du projet de renforcement des institutions »;
- (b) Le PNUD a indiqué que du fait qu'il n'existait pas d'autres projets en relation avec le Protocole de Montréal dans la République populaire démocratique de Corée, tout engagement du PNUD, soit en tant qu'agence d'exécution du Fonds multilatéral (PNUD New York) soit en qualité d'agence locale pour l'exécution du projet (PNUD Pyongyang), exigera une entente opérationnelle entre le PNUD New York et le PNUD Pyongyang, assortie de l'approbation du gouvernement;

- (c) Le Secrétariat a également noté que tandis que le PNUE était ouvert à toute alternative proposé par le Comité exécutif, notamment le transfert du projet de renforcement des institutions de la République populaire démocratique de Corée à une autre agence d'exécution, ceci requerrait des consultations et un accord préliminaires entre le PNUE et l'autre agence d'exécution et entre le gouvernement de la République populaire démocratique de Corée et l'agence d'exécution concernée.

35. Le Secrétariat a également suggéré que le PNUE consulte son bureau juridique à Nairobi au sujet de la modalité de mise en œuvre proposée et confirme sa conformité avec les Résolutions du Conseil de Sécurité de l'ONU 1695 (2006), 1718 (2006) et 1874 (2009). Toutefois, au moment de la finalisation du présent document, le PNUE n'était pas en mesure de conclure ses consultations avec son département juridique.

36. En conclusion, tandis que la proposition actuelle du PNUE ne diffère pas beaucoup de celle présentée à la 66^e réunion, le Secrétariat note que le PNUE avait fait de son mieux pour essayer d'explorer des méthodes de remplacement pour le décaissement, les structures organisationnelles et la procédure de suivi pour ce projet de renforcement des institutions. Le PNUE a confirmé que les contraintes administratives le restreignent dans les possibilités de propositions d'approches différentes de celles proposées précédemment. Il demande donc au Comité exécutif des conseils sur la façon de procéder compte tenu de ces limites, en tenant compte de l'urgence de fournir une assistance au pays pour son projet de renforcement des institutions. Le PNUE est prêt à mettre en œuvre le projet de renforcement des institutions suivant l'option proposée et le renouvellement du renforcement des institutions a été soumis en conséquence à la 68^e réunion.

Recommandation du Secrétariat

37. Le Comité exécutif pourrait envisager de :

- (a) Prendre note du rapport périodique soumis par le PNUE sur la mise en œuvre de la décision 66/15 du Comité exécutif sur le projet de renforcement des institutions dans la République populaire démocratique de Corée ;
- (b) D'examiner si, compte tenu des limitations formulées par le PNUE, les méthodes de remplacement proposées pour le décaissement, les structures organisationnelles et les procédures de suivi répondent aux inquiétudes exprimées par le Comité exécutif à sa 66^e réunion, ou bien
- (c) D'envisager de transférer le projet de renforcement des institutions à une autre agence d'exécution, au sein de laquelle des méthodes acceptables de décaissement pour des situations similaires sont déjà en place.

RECOMMANDATIONS

38. En ce qui concerne le document UNEP/OzL.Pro/ExCom/68/6/Add.1, le Comité exécutif pourrait envisager de :

- (a) Au sujet de la mobilisation des ressources pour des avantages climatiques connexes :
 - (i) Prier instamment le PNUE de soumettre un rapport final sur ce projet à la 69^e réunion, ou de restituer le financement approuvé pour ce projet si aucun progrès n'est enregistré d'ici là ;

- (ii) Prendre note du rapport provisoire sur la mobilisation des ressources pour des avantages climatiques connexes soumis par la Banque mondiale et d'exhorter celle-ci à lui remettre à sa 69^e réunion un rapport final sur cette étude ;
- (b) Au sujet du rapport de vérification en Chine : « Plan sectoriel des agents de transformation (phase II) : état d'avancement de l'élimination du CTC dans les applications d'agent de transformation – PAII » , demander à la Banque mondiale, au nom du gouvernement de la Chine, de soumettre un rapport d'achèvement de projet pour le plan sectoriel des agents de transformation – phase II, accompagné d'un rapport de vérification de 2010 révisé pour le secteur ainsi que pour la production et la consommation de CTC, conformément à la décision 65/10(i), au plus tard à la 70^e réunion du Comité exécutif ;
- (c) Au sujet du rapport de vérification au Nigeria : « Rapport périodique sur la mise en œuvre finale (2010-2012) et rapport de vérification de la consommation pour 2009 et 2010 » :
 - (i) Prendre note du rapport de vérification pour la consommation de CFC au Nigeria pour 2009 et 2010 ;
 - (ii) Prendre note de la soumission du rapport sur la mise en œuvre du plan national d'élimination des CFC pour le Nigeria de 2010 à 2012; et
 - (iii) Approuver l'utilisation des fonds restants pour une publication et la restitution du solde au Fonds multilatéral, conformément à la proposition.
- (d) Au sujet du rapport de vérification en Tunisie : « Plan national d'élimination des SAO (rapport de vérification de 2010 sur la consommation de CFC et de halons) », prendre note du rapport de vérification sur la consommation de CFC et de halons en Tunisie pour 2010;
- (e) Au sujet du projet sur le bromure de méthyle au Costa Rica:
 - (i) Prendre note du rapport périodique annuel de 2011 sur la mise en œuvre de la cinquième tranche du projet au Costa Rica en vue de l'élimination totale du bromure de méthyle utilisé comme fumigène pour la culture des melons, des fleurs coupées, et des bananes, et pour les lits de semence du tabac et les pépinières, à l'exception des applications sanitaires et préalables à l'expédition;
 - (ii) Autoriser le décaissement de 297 300 \$US par le PNUD pour le Costa Rica en tant qu'élément de la cinquième tranche du projet;
 - (iii) Demander au PNUD de soumettre le projet d'achèvement de rapport au Comité exécutif peu après l'achèvement de la cinquième tranche du projet;
- (f) Au sujet du rapport périodique du PNUE sur la mise en œuvre de la décision 66/15 du Comité exécutif sur le projet de renforcement des institutions dans la République populaire démocratique de Corée:

- (i) Prendre note du rapport périodique soumis par le PNUE sur la mise en œuvre de la décision 66/15 du Comité exécutif sur le projet de renforcement des institutions dans la République populaire démocratique de Corée; et
- (ii) Examiner si, compte tenu des limitations formulées par le PNUE, les méthodes de remplacement proposées pour le décaissement, les structures organisationnelles et les procédures de suivi répondent aux inquiétudes exprimées par le Comité exécutif à sa 66^e réunion; ou bien
- (iii) Envisager de transférer le projet de renforcement des institutions à une autre agence d'exécution au sein de laquelle des méthodes acceptables de décaissement pour des situations similaires sont déjà en place.

Annex I

RESOURCE MOBILISATION FOR HCFC PHASE-OUT CO-BENEFITS STUDY

**WORLD BANK PROGRESS REPORT TO THE 68TH MEETING
OF THE EXECUTIVE COMMITTEE**

Resource Mobilisation for HCFC Phase-out Co-benefits Study World Bank Progress Report to the 68th Meeting of the Executive Committee

5 October 2012; rev. 2 Nov 2012

A. BACKGROUND

1. The ExCom by Decision 63/24 approved funding at the level of US\$ 180,000, plus agency support costs of US\$ 16,200, for resource mobilization activities related to the phase out of HCFCs.
2. The original proposal from the World Bank had envisaged addressing resource mobilization from two complementary approaches, harnessing market mechanisms to accelerate donor funding at the level of the replenishment and overall resources available to the Multilateral Fund, and using market mechanisms at the project level. The discussions within the Committee led to dropping the first approach related to donor's commitments, and decision 63/24 therefore requests the Bank to focus solely on the project-level approach.
3. Decision 63/24 also requested the World Bank to provide an interim report at the 66th meeting. Further to that interim report, the Committee requested "the World Bank to submit a more substantial report to the Executive Committee at its 68th meeting (Decision 66/15)".

B. STUDY OBJECTIVE

4. The objective of this study is to identify and highlight ways through which energy efficiency improvements taking place simultaneously with ODS-free transition supported by the Multilateral Fund of the Montreal Protocol (MLF), thereby addressing a financing gap and possible missed opportunities in ODS phase-out projects. It will also look at strategies to maximize synergies with climate financing in general in combination with the World Bank's energy efficiency and climate mitigation portfolios in particular.
5. This will be achieved through exploring options and mechanisms and offering concrete proposals as to how a project addressing the phase out of HCFC could benefit upfront from climate change financing mechanisms for energy savings, thereby increasing the level and/or lowering the cost of financing for these projects. Activities and outputs envisaged include an analysis of the various instruments available for financing energy efficiency measures related to HCFC phase-out, including promotion of low GWP alternatives; an outline of specific investment opportunities; analysis of options for "profit sharing" as requested by the ExCom and recommendations for successful blending.

C. APPROACH AND METHODOLOGY

6. The study will build on preliminary work undertaken in collaboration with the Carbon Finance Unit of the Bank and Treasury (see Annex), and will continue to pursue collaboration with these units and the climate policy team. The study will be undertaken through coordinating the input of these various groups, and others, with a view to harnessing the expertise that resides in the World Bank related climate financing and financial engineering. A draft final report will be submitted to the April 2013 meeting of the Executive Committee, and could be revised to take into account comments and recommendations of Committee at that time.

7. This approach is a departure from the interim report to the 66th meeting of the Executive Committee that envisaged working through a consulting firm. On further reflection it was felt that the study could more fruitfully be undertaken by relying on in-house expertise and understanding of climate finance.

8. A second departure from the original concept lies with a lesser emphasis in the study on the upfront monetization of credits from Carbon Finance / Clean Development Mechanism operation, taking into account the current weakness of the carbon markets, and the lack of visibility regarding their future, still. Instead, the paper emphasizes climate financing for energy savings more broadly. This is not to say that CDM-like market-based approaches will not be very relevant to the problem at hand however, but only that in the near term there is much uncertainty, and that whilst there is great hope in domestic carbon markets in developing countries for filling the gap, this is still some years away.

9. A related consideration is that the study aims to describing the climate finance architecture, and relies therefore on understanding and characterisation of the state of carbon markets and carbon finance in general, both of which are in a state of flux, and will likely remain so until at least 2015. Nevertheless, the approaches that will be developed are likely to apply independently of the exact configuration of climate related financing in the future. Furthermore, the team can tap on a large pool of wisdom and insights within the Bank on this subject.

10. It should be noted that an intrinsic risk to this type of study is that it might not lead to the uptake of new innovative approaches in future projects, in other words, that the study would have limited impact. Uptake (and therefore impact) will require that barriers can be broken down also between the energy and the "Montreal Protocol" sectors both in developing country clients and in Multilateral Fund agencies - something that goes beyond the scope of this study (although the study will make recommendations in this respect. Moreover, tapping into the large resources related to energy efficiency might require some flexibility on the part of the Montreal Protocol community. Again, the study is designed to address this aspect also, but can only hope to be one small element to facilitate the dialogue between sectors.

11. Taking into account the risks and considerations outlined above, it should be recognized that the study takes a fairly long-term view and seeks to outline ways forward in the midst of a still; ill-defined and changing landscape for climate financing.

D. AUDIENCE AND DISSEMINATION

12. In the broadest sense, this study can be expected to contribute to educating the Montreal Protocol community about opportunities for financing under the climate agenda, whilst conversely it aims at educating the climate mitigation community about opportunities and challenges under the Montreal Protocol and the HCFC phase out agenda. In facilitating the dialogue between the two communities, the study responds directly to the letter and the spirit of Decision XIX/6 of the Meeting of the Parties to the Montreal Protocol that links HCFC phase out with the minimization of climate impact.

13. Formally, the primary audience for this work is the Executive Committee of the Multilateral Fund that has approved funding for this work and towards the study report is addressed. Other stakeholders that can benefit from the study are the parties to the Montreal Protocol, in particular developing countries. Indirect audiences are the stakeholders involved in ODS phase out, in particular the private sector in the refrigeration and refrigeration-using sectors in Bank client countries.

14. Internally from a World Bank perspective, the study aims at, and is a means to, intensifying the dialogue between staff working on the Montreal Protocol, on climate finance, and on energy efficiency operations, and can help therefore mainstream the objectives of the Montreal Protocol in broader World Bank operations. Internal dissemination is envisaged through Brown Bag Lunch and through the Climate Financing Thematic Group.

15. The study is to be submitted for discussion at the Executive Committee of the Multilateral Fund. It will also be available for information of all countries at the Meeting of the Parties to the Montreal Protocol, and will be shared with UNEP for dissemination through the OzonAction network. Internally, a BBL can be organised, while externally, the study could be presented at a side-event of the Open-Ended Working Group, or during a "Stockholm Group" meeting on the margins of the same.

16. The issues will also be considered for presentation to a climate audience through a combination of outreach towards the UNFCCC – presentations to the Subsidiary Body for Implementation can be envisaged from the GEF and/or carbon finance perspectives, and outreach towards the GEF can inform and help shape the GEF-6 strategy for climate mitigation. Finally, the study is relevant also to the work of the Climate and Clean Air Coalition to address Short Lived Climate Pollutants, including HFCs, and will be shared with partners in that coalition.

17. The document will be available for download on the Bank's external website. Translation of an executive summary is also expected, while translation of the main text can be envisaged based on demand.

E. STUDY REPORT OUTLINE

Executive Summary

18. This will be prepared after the final version has been received by the Executive Committee, and would be translated into Spanish and French.

Background and Sector Setting

19. This section confirms the rationale and TORs of the study and sets common language and parameters between ozone layer depletion and climate change for the purpose of the study.

20. Sector setting discusses the HCFCs scheduled for reduction under the Montreal Protocol (MP), and relationship with Kyoto Protocol and UNFCCC, including relationship with HFCs (in terms of “avoided phase in”). Key characteristics of volumes, growth, and estimated financing needs to achieve targets are described. Related potential energy savings are estimated as well.

Financing Instruments for Climate Change Mitigation

21. This section is an analysis of the “landscape” of climate financing with focus on linkages with the Montreal Protocol agenda that builds on the work of the Climate Policy Initiative. This will take the form of a matrix that will indicate the amounts that are practically available, address experience with implementation, and pass judgement therefore on whether specific instruments should be pursued or not.

22. The review will take a broad definition of climate financing, and will consider other possible sources of financing such as related to green growth or cleaner production.

23. The review will provide estimates for the evolution of climate financing over a 3 - 10 year horizon, and provide pointers to the Montreal Protocol to tap into new financing instruments at country or global level.

Climate Change Financing for Energy Savings

24. New equipment or industrial processes have two benefits which make them eligible to earn carbon credits: they can be more energy efficient, or the new equipment may contain low ODP/ low GHG refrigerant (taking into account also associated production processes). This section will discuss the state and possible evolution over a

3 - 10 year horizon of the carbon markets with focus on linkages with the Montreal Protocol, and implications for carbon markets as one of the instruments to speed up the phase out of HCFCs as complement to Multilateral Fund funding, as well as supporting development and implementation of recovery and destruction of used ODS “banks”.

25. The section will provide an overall assessment on extent to which carbon markets at global level and emerging domestic levels can: (i) generate real market demand for carbon credits from HCFC phase out; (ii) destruction of ODS banks; and (iii) support energy efficiency improvements with co benefits – including examining the actual financial contribution that is possible, and therefore the extent to which these can be relied upon as a financial mechanism to support these activities. The section will entail:

- Review the current status of the CDM market post 2012 including European position related to purchase of carbon credits from middle income countries and from HFC23 projects and likely implications for financing HCFC phase out activities from carbon finance;
- Review status of the voluntary carbon market, as well as emerging domestic markets in largest HCFC countries (China, India) and implications for financing HCFC phase out activities from carbon finance;
- Review trends in prices of carbon assets in different carbon markets and including discussion of likely pricing for assets associated with HCFC. Review implication of carbon prices on typical projects and what it does for IRR.
- Review existing baseline technologies and their replacement alternatives, taking into account sector prioritization, energy savings potential, and existence of low GWP alternatives;
- Review existing methodology (voluntary market and CDM) and any operational complications caused by requirements from these methodologies. Assess the need to develop new methodologies or revise existing methodologies.
- Briefly review and evaluate the experience for the sector with carbon finance, including at project level (description and lessons learnt) and for the global chillers program.

26. Typical case studies will be analysed to provide a handle on whether co-benefits from energy efficiency could help bridge the financing gaps of for HCFC phase out projects, or simply whether carbon revenues from energy efficiency might represent sufficient incentives to accelerate the phase-out of HCFC without dedicated Montreal Protocol financing.

Conceptual Models for Upfront Monetization

27. This section will build on the scheme described in the original concept note (see Annex), and provide concrete proposals for the nuts and bolts of a “monetization” scheme related to a project. It will give a detailed description of how a project could be set up in practice with an upfront monetization scheme and new carbon market instruments, for a number of model scenarios. In addressing the recommendations from

the ExCom at time of approval, this will seek to include estimates of the range of transaction costs that would typically be associated with the services and financial engineering required to support and operate such a scheme.

28. The “scenarios” or project types that are envisaged include:

- Appliance replacement or manufacturing. For CDM-type support this would require the definition of a dynamic baseline to allow for growth of equipment;
- City-wide approaches that target several sources of emissions in a programmatic manner;
- The topic of chillers replacement, including whether different approaches to financing might have mitigated some of the implementation challenges faced by some of these projects at present; and
- Revisiting the issue of financing for the destruction of ODS banks, building on the existing studies and work already supported by the Multilateral Fund.

Options for Profit Sharing

29. The Executive Committee requested with its approval that the study “explore possibilities of profit-sharing, including return of funds to the Multilateral Fund”. This involves legal issues related to, amongst other things, ownership of carbon credits; it is largely a legal issue of how the proceeds can be distributed, and will be reviewed under the various models explored in the previous chapter.

30. This matter is difficult to analyse in the absence of a specific concrete case. Conceptually, this would appear to be difficult since the shared “profits” would involve private sector actors, and would typically derive from energy savings and reduced CO₂ emissions, and not be directly linked to the ODS reduction that might be supported by the Multilateral Fund. Moreover, a known barrier to multiple-strand financing is that generally this comes with an increase in transaction cost which decreases the attraction of any such scheme for investors.

31. Nevertheless, the problem will be briefly and tentatively explored, taking into account both legal aspects and financial/economic feasibility aspects, so as to provide elements of response to the Executive Committee.

Investment Opportunities

32. World Bank investments for clean energy are growing at rapid pace. World Bank Group commitments for energy efficiency have been around \$1.5 billion per year for the past five years. This section seeks to establish the possible linkages between these operations and the Montreal Protocol agenda. Ultimately, this should serve both to educate the energy community about the agenda and opportunities that lie with the Montreal Protocol, as well as educating the Montreal Protocol community about the potential scope and scale of activities that could be tapped into if incentives can be aligned and transaction costs kept to a minimum.

33. This section is both backward looking – based on analysis of lending and possible missed opportunities in the past years, as well as forward looking. It aims at identifying potential mid-term investment opportunities – in other words World Bank operations in the pipeline that could lead themselves to enhanced Montreal Protocol synergetic work.

34. The Bank pipeline review and analysis will make concrete recommendations regarding energy efficiency and “cities” investments across the Bank that would offer potential for co-financing, going forward. The extent to which the IFC portfolio can also contribute will be analysed.

35. By way of guide and example, a preliminary outline of the typology of tradition World Bank investments in energy efficiency gives a flavour for the potential for synergies. These investments typically take the form of:

- Investments through “Financial Intermediaries” that then on-lend to others. These Financial Intermediaries can be Banks, Energy Service Companies, or dedicated investment funds. They can establish credit lines or offer guarantees. This is the most common type of intervention that can support energy efficiency with building owners, small industries etc. Unfortunately there is limited information at the central level regarding the exact composition of the portfolio.
- Working directly with Electric Utilities as implementing agencies in demand side management approaches – addressing lighting or energy efficient appliances. This is for example the case of the Mexico Efficient Lighting and Appliances Project.
- More recently, supporting green procurement for municipalities, schools, hospitals – where an incentive is provided to base purchase decisions not only on least cost considerations, but also take into account life cycle considerations.
- And finally, projects still under preparation are developing approaches to provide incentives directly to manufacturers.

Conclusions and Recommendations

36. The section will start by revisiting the opportunities and challenges of successful blending in light of the above, building on existing work on “Financing instruments for climate change”, but addressed more directly to the MP community. It will also take a broad view of the challenges with effecting ozone-climate synergies and would make tentative recommendations or options that stakeholders could consider in the process of shaping the various elements of the future climate financing architecture.

37. Conclusions will be informed by organizing broad discussions outside and within the Bank. As noted above, the climate change community will be engaged through a combination of the SBI, the GEF and the CCAC. Input from various units in the Bank will be sought through the climate financing thematic group when the work has advanced, but early enough to inform directions, and towards the end, to validate findings.

38. The section will highlight the key findings and recommendations and highlight “next steps” as appropriate – reminding readers of the role which broader financing for climate mitigation and energy efficiency as well as market based instruments/carbon finance can play in HCFC phase out.

ANNEX - RESOURCE MOBILISATION FOR HCFC PHASE-OUT CO-BENEFITS STUDY - CONCEPT SUBMITTED TO EXCOM; REVISED IN LINE WITH APPROVAL DECISION

Summary

The experience to date with developing strategies for the phase out of hydrochlorofluorocarbons (HCFCs) is that there is a need for additional funding to complement the amount traditionally provided under the Multilateral Fund of the Montreal Protocol (MLF), in particular to leverage financing for energy efficiency-related improvements. Therefore the Executive Committee of the Multilateral Fund at its 63rd meeting has approved a study to explore possibilities and mechanisms to increase leverage of climate financing, including upfront monetization of carbon credits.

The study will be submitted to the Executive Committee of the Multilateral Fund and shared with parties to the Montreal Protocol (MP). It will serve as a guide to develop projects funded by the MLF that can bank on, and therefore maximise, climate co-benefits. It will also familiarize the carbon market with the Montreal Protocol and the opportunities for generating carbon credits from the ozone depleting substances (which are not covered by Kyoto).

The study aims to generate model scenarios and provide concrete examples and "how-to" guides as to how a project addressing the phase out of HCFC could benefit upfront from the generation of future carbon credits expected from energy savings, thereby increasing the level and/or lowering the cost of financing for these projects. The study will build on preliminary work undertaken in collaboration with the Carbon Finance Unit and Treasury, and will continue to pursue collaboration with these units.

The main project output is a report to be submitted to the Executive Committee at its 69th meeting in April 2013 for further dissemination to Parties to the Montreal Protocol. The expected impact on operations is to provide developing countries with concrete options for maximising climate co-benefits from operations aimed at phasing out HCFCs.

Introduction

The decision of the Parties to the Montreal Protocol to accelerate HCFC phase-out in 2007 held much promise for the environment; not only in terms of moving an impressive record of ozone protection measures to an earlier completion but also by recognizing the relationship of these measures to the climate. Part of Decision XIX/6 also assured countries operating under Article 5 that full incremental costs for accelerated HCFC phase-out would be covered. It is only now, four years later, as Article 5 countries are submitting their HCFC Phase-out Management Plans under the Multilateral Fund (MLF) and the Executive Committee's HCFC policies evolve, that the actual funding requirements are better understood.

One of the most prominent aspects of Article 5 country consumption of HCFC is the rate of growth in a relatively short period. This rate of growth is directly related to economic development in emerging economies which are rapidly building a consumer-base. Another critical aspect directly related to HCFC is the pattern of growth with China representing over 60% of Article 5 consumption and 90% of its production.

These trends may impact the level of MLF funding available as a whole for meeting incremental costs over a number of replenishment periods. This is further affected by a present mismatch between available funding and the Montreal Protocol reduction schedule on the one hand and the realities on the ground where a changeover to HCFC alternatives will in some cases lead to an unavoidable technology upgrade (linked to energy efficiency) or where HCFC phase-out can only be done on a sector basis, on the other hand. There is a risk therefore that opportunities for energy efficiency related improvements will be missed because of lack of funding. As a consequence, there is ongoing discussion in the MP community on possibilities and options for leveraging additional support to the MLF – if it becomes necessary for ensuring that countries can first and foremost meet their MP obligations and to assist countries that wish to include climate co-benefit considerations into their HCFC phase-out programs.

Bridging the Financing Gap

There are two broad steps that could be pursued to leverage additional funding to complement the amount traditionally provided under the MLF. The first step is to circumspectly review and increase current donor commitment/replenishment estimates. The second step is to utilize market and other mechanisms to raise funding as required for project implementation. These two steps are not mutually exclusive. The World Bank had proposed to develop approaches addressing both: upfront monetization of future donor commitments similar to what was done under the Internal Finance Facility for Immunization (IFFIm); and project level activities including upfront monetization of carbon credits.

The ExCom by Decision 63/24 approved funding at the level of US\$ 180,000, plus agency support costs of US\$ 16,200, for resource mobilization activities related to the phase out of HCFCs. The discussions within the Committee led to dropping the first approach related to donor's commitments, and decision 63/24 therefore requests the Bank to focus solely on the project-level approach. Therefore the remainder of this note will focus on that aspect. Nevertheless it remains a possibility that the option to frontload future donor commitments can be explored at a later stage in time for future replenishments of the MLF.

Facilitating financing of HCFC co-benefits

MP projects that aim to reduce Ozone Depleting Substances, in particular those dealing with refrigeration applications, will also generate energy saving benefits, given the very nature of replacing old CFC and HCFC cooling units with more modern and efficient technology. If these projects are also registered under one of the various Carbon

Finance mechanisms, then the energy savings could be turned into Carbon Assets. The problem is that whilst the Carbon market can provide a greater return on investment, it does not help address the upfront investment costs and address the financing barrier at the time a project is put together. Monetizing future carbon assets to finance the costs of climate-ozone benefits would seek to achieve that. Preliminary estimates show that cumulative CO₂ reductions generated by MP projects from years 2010 to 2040 will be about 19 million t/CO₂ from energy efficiency and 11,000 million t/CO₂ from energy substitution¹. As an illustration of the potential (nominal) value of the carbon assets, assuming Certified Emission Reduction (CER) prices held constant at \$10 per t/CO₂, the carbon assets² would be worth \$190Million from efficiency, and \$110 billion from substitution. Monetizing these assets would require discounting of the nominal value, but would nonetheless appear significant.

Once verified, carbon assets become entitlements to the project entity, and are redeemable in the future. Various mechanisms exist today to monetize these assets, such as primary market carbon funds and secondary market exchanges. However, these mechanisms do not directly address the need for increased project finance capital at an early stage of the project.

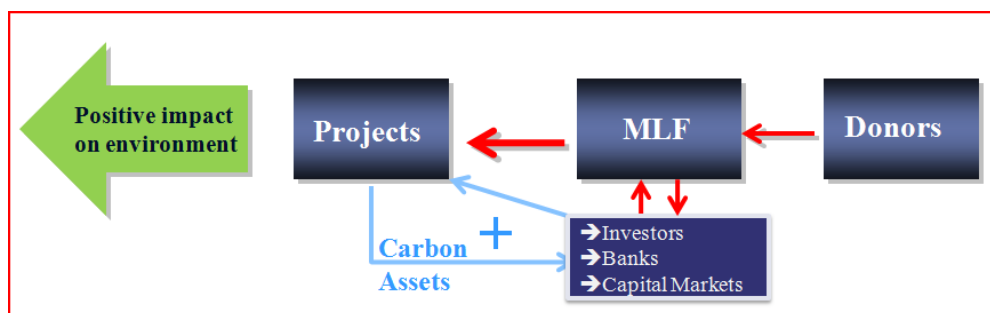
Carbon assets redeemable in the future could be used by the project entity to increase the financing available at an early stage of the project. It may be possible to advance financing (e.g.: commercial loans, bonds) against these future carbon assets to fund projects before the assets are generated, using the future stream of carbon revenues to repay the financing, over time.

Furthermore, it may be possible to use carbon assets to enhance the creditworthiness of projects, which would enable financial entities (banks, investors or multilaterals) to improve the terms of financing (such as increased financing amounts, decreased cost of financing, increased loan maturity, etc.). As a credit enhancing instrument, carbon assets would be transferred or posted as collateral to the benefit of financiers, to reduce the potential loss in case of a default by the borrowing project entity.

¹ These figures will be reviewed.

² These figures only for indicative purposes, and not valid as of October 2012

Figure : Financing HCFC Phase Out Co-Benefits



The above cannot be considered without looking at what sources of funding could be available broadly. There are a number of sources for grant financing and concessional or commercial lending as well that should be sought to complement MLF funding particularly where MP projects intersect with the climate agenda, in order to maximize ozone and climate benefits. These include the Global Environment Facility, bilateral, the Climate Investment Funds including the Clean Technology Fund, IBRD/IDA lending and the Green Climate Fund in the making, or even instruments such as green bonds.

However, while these sources of finance can in principle be pulled together³, in practice there are considerable barriers in doing so. These barriers that stem from different project cycles and information requirement include: (i) timing issues; (ii) transaction costs in general; (iii) and multiple decision makers in various sectors, at the country, agency, and funder level, with different short-term priorities.

Finally, a broad financing package should also take into account incentives to ensure that the potential climate change mitigation benefits from HCFC phase out are not diluted because of high GWP alternatives. In some limited instances, HCFC phase-out is leading to HFC phase-in where there are no other cost effective and available alternatives. The study would explore ways to leverage financing to effect a transition that would promote low GWP alternatives altogether.

Crosscutting elements

When approving funding for this work, the Executive Committee in its decision highlighted a number of elements which are key principles that will be taken into account in pursuing all three avenues outlined above:

(i) Additionality of the projects proposed

In this context, “additionality” is understood as assurance that the set of activities that is promoted will bring environmental benefits beyond the baseline of Multilateral Fund supported interventions, and would not happen without additional push.

³ See “Beyond the Sum of its Part Blending Financial Instruments to Support Low-Carbon Development”, Hosier et al, 2010, The World Bank

(ii) Transparency and good governance, as well as covering the cash flow

Transparency and good governance are key principles that underlie all World Bank operations and as such will be reflected in the Study as appropriate.

(iii) Assurance that these projects would avoid perverse incentives for countries

“Perverse incentives” in this context is understood at its most basic as a scheme that would be set up in such a way that the main beneficiary could have an incentive – monetary or otherwise – that would not be aligned with maximizing environmental benefits. To the extent that such perverse incentives can be difficult to uncover, the Study will proactively envisage possible misalignment of incentives.

(iv) Exploring possibilities of profit-sharing, including return of funds to the Multilateral Fund

This will be explored in the development of the Study, taking into account both legal aspects and financial/economic feasibility aspects.

(v) Ensuring sustainability of the projects proposed

This is fully in line with operational principles of the World Bank which would apply, and as such will be reflected in the Study as appropriate. In principle, the financial schemes considered that would involve the Bank’s Treasury would have to be intrinsically sustainable as that operation would transfer some of the medium to long term risks and uncertainty from the Project Entity to the Bank.

(vi) Avoidance of duplication of similar projects

In principle, priority efforts will be directed to developing different product lines or addressing different sectors or regions rather than duplicating similar projects.

(vii) Information on transaction costs.

This point relates to point number (ii) on transparency. The Study will provide Information on any fees for financial services that would be levied by the World Bank or by commercial enterprises as appropriate.

Outputs

- (i) A detailed description of a scheme to monetize upfront Carbon Credits so as to address the barrier to initial capital investments costs;
- (ii) An analysis of options for “profit sharing”, including the feasibility of return of funds to the MLF;
- (iii) An analysis of the various concessional and commercial instruments available within the next five years for financing of energy efficiency measure related to HCFC phase-out, as well as an outline of approaches to promote low GWP alternatives;
- (iv) An description of specific mid-term investment opportunities, to the extent possible;

- (v) An analysis and recommendations to effect successful blending, including stakeholders and decision makers to involve and timing.

Appendix - Using Carbon Assets to enhance investments in Montreal Protocol Projects

This appendix explores the possibility of using future Carbon Assets, which are being generated by Montreal Protocol (MP) projects, to increase the level and/or lower the cost of financing for these projects. MP Projects that aim to reduce ODS in refrigeration applications will also generate energy saving benefits, given the very nature of replacing old CFC and HCFC cooling units with more modern and efficient technology. If these projects are also registered under one of the various Carbon Finance mechanisms, then the energy savings could be turned into Carbon Assets.

Monetization of future Carbons Assets would offer two main benefits. From an environmental perspective, it would accelerate the implementation of HCFC and CFC reducing projects. From a financial stance, providing more capital and/or lowering its cost at the onset of the project would improve their financial viability and enable quicker ramp up of ODS reducing projects.

Carbon Assets as a credit enhancement tool for lending

Carbon Assets generated by MP projects could potentially be used as collateral against lending⁴. For most sponsors, the collateral would be used to reduce the risk profile of the borrower, and would then enable the lender to decrease the cost of funding for these collateralized operations. Alternatively, for borrowers facing limitations with credit exposure headroom, the credit enhancing effect of the collateral could be used to increase the exposure limits, releasing additional funding sources. This proposal could utilize a range of carbon assets, such as CERs and VERs.

MP projects generating energy efficiency gains would need to register under the CDM or JI schemes. After registration, carbon assets would be transferred by means of an Emissions Reduction Purchase Agreement (ERPA) or other arrangement, into the custody of a third party, which could use these assets as collateral to extend a loan to the country/project originating the assets, at the project construction phase. The collateral could be held on the balance sheets of the lender or in a separate facility that could be set up as a debt service facility with irrevocable payment instructions to pay off pre-determined debts.

The introduction of carbon assets to the MLF financial structure will induce the management of additional risks. Determining which parties bear what risks, and how these risks can be mitigated will become crucial elements of this proposal.

⁴ The lending could be done by multilateral agencies, banks or other financial institutions.

Project Company: it would keep delivery risk, the risk of generating fewer carbon assets than expected.

Carbon Credit Trustee: it would take carbon asset price risk if an ERPA is signed. Otherwise, it would stay with the Project Entity.

Lender: it would take the Borrower's Credit Risk in case of default by the project companies, though this risk would be reduced by the collateral. The Lender would also take Carbon Asset Delivery Risk indirectly, as the quality of the collateral is linked to the ability of the project company to deliver as planned. Of all risks, Delivery Risk remains the most difficult one to mitigate or transfer.

Figure 1. Project's Process Flow

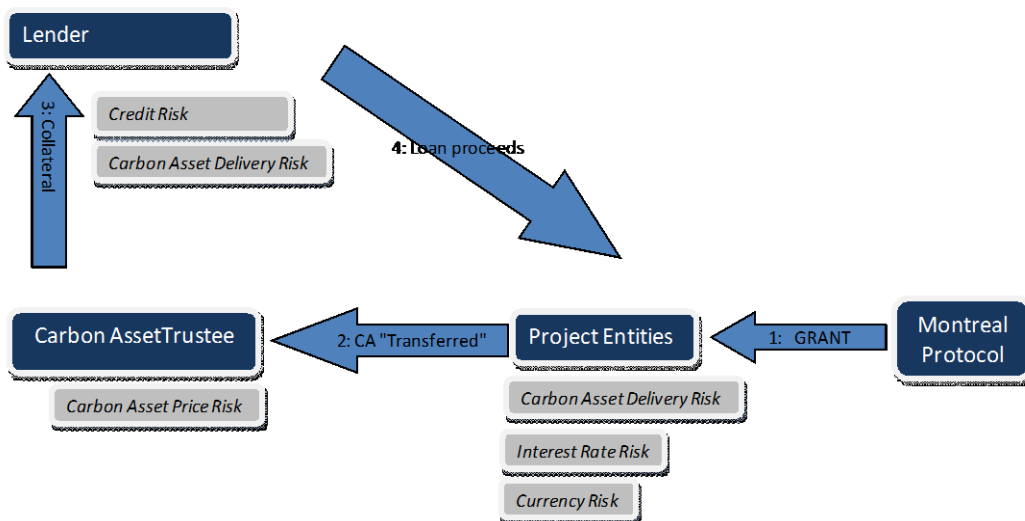
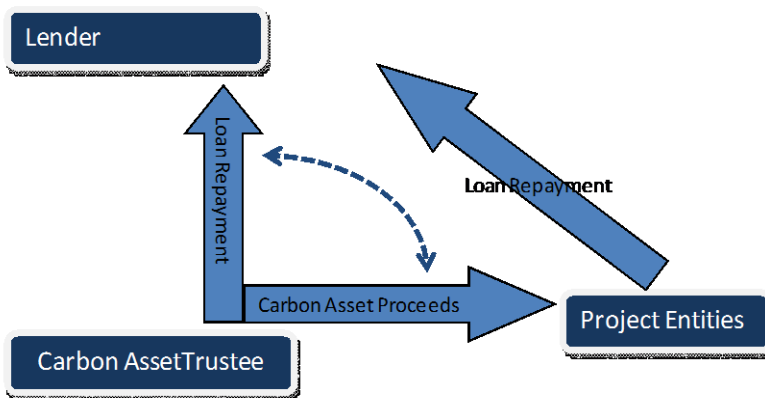


Figure 2. Illustration of flows as carbon assets are verified



As the Carbon Assets are verified, they can be sold at spot market prices or settled through the ERPA at the pre-agreed price. Depending on the arrangements, the proceeds can be paid back to the lender as debt service, or to the project entity. The host government could stand as a guarantor and / or consolidator.

To enhance the collateralized lending concept, guarantee mechanisms could be used to mitigate certain risks. For instance, it may be possible to strip out the credit risk and delivery risk components out of the Carbon Assets, using new or existing mechanisms (IFC's Carbon Delivery Guarantee Mechanism is one such illustration), thereby enhancing the monetization potential of the Assets⁵.

⁵ See IFC Carbon Finance information page: <http://ifcnet.ifc.org/intranet/carbonfinance.nsf/>.

Annex II

PROGRESS REPORT ON THE IMPLEMENTATION OF THE EXECUTIVE COMMITTEE DECISION 66/15 ON THE INSTITUTIONAL STRENGTHENING PROJECT OF DPR KOREA 22 October 2012

Background

The 64th meeting of Executive Committee (25-29 July 2011) discussed the submission of DPR Korea's Institutional Strengthening project (ISP) renewal. In the margins of that meeting, UNEP met with the Committee member that expressed interest in this topic to provide additional clarifications. During that informal side meeting, the member raised the following specific issues:

- The salary level of the Ozone Officer and the modalities of salary payment under the ISP: It was noted that the cost of the salary is high and not in line with local salaries and the payment to the Ozone Officer through the Government needs more transparency. As an alternative, it was suggested whether it was possible for UNDP Pyongyang to pay the Ozone Officer with a reduced salary level.
- The UNEP delegation was provided with a document that had details about UNDP's new Internal Control Framework for implementation of projects in DPR Korea. UNEP was asked to explore to which extent the ISP project could be implemented in light of such a framework.
- Possibility for the Ozone Officer to be located in UNDP's Pyongyang office.

In the deliberations at the 64th meeting of Executive Committee, "*concern was expressed about the lack of transparency and difficulties in monitoring the exact use of any institutional strengthening funding in the Democratic People's Republic of Korea*" (UNEP/OzL.Pro/ExCom/64/53, para 86). The Committee then took the following decision:

"The Executive Committee decided:

- (a) To defer consideration of the request for phase VI of the institutional strengthening project for the Democratic People's Republic of Korea to its 66th meeting; and*
- (b) To request the Secretariat and UNEP, as implementing agency, to propose alternative methods of disbursement, organizational structures and monitoring procedures to the Executive Committee by its 66th meeting"*

(Decision 64/20)

Following that decision and the informal discussions, UNEP's Compliance Assistance Programme (CAP) informed DPR Korea's National Coordinating Committee for Environment (NCCE) about the Executive Committee Decision 64/20, and sent a formal letter to the UNDP Representative in Pyongyang through the Director of UNEP's Regional Office for Asia and the Pacific (ROAP) to initiate the consultation. It was later agreed that the consultation would be conducted in Pyongyang during a joint UNIDO/UNEP mission for the country's HPMP preparation from 28 November to 1 December 2011.

UNEP prepared a draft report based on the consultations with DPR Korea and UNDP in Pyongyang and circulated it to the Multilateral Fund Secretariat for review and comment. UNEP also kept relevant Executive Committee delegations informed of these consultations. Based on the comments received, UNEP finalized the report and submitted it to the 66th meeting of the Executive Committee for consideration.

The Executive Committee reviewed the progress report, and a number of members applauded the work done to improve transparency and suggested that, as a next step, UNEP should provide additional

information to increase transparency even further, consult with other implementing agencies that might have suggestions, and resubmit the report. Accordingly, The Executive Committee decided:

“(k) With regard to Democratic People's Republic of Korea:

(i) To take note of the report submitted by UNEP on the implementation of Executive Committee decision 64/20 on the institutional strengthening project for the Democratic People's Republic of Korea; and

(ii) To request UNEP and other interested implementing agencies to further develop proposed alternative methods of disbursement, organizational structures and monitoring procedures, taking into account the experience of other agencies working on the ground in the country, for consideration by the Executive Committee at its 68th meeting.”

(Decision 66/15)

As a follow up, UNEP discussed the matter with NCCE, DPR Korea in the margin of the joint network meeting of the Joint South Asia and South-East Asia Regional Network Meeting in Bhutan during 15-19 May 2012. UNEP then consulted UNDP and UNIDO, the only other implementing agencies that have ongoing programmes in DPR Korea, for their views and advice in further developing alternative methods of disbursement, organizational structures and monitoring procedures. UNEP updated the present report with the results of those additional consultations, for the consideration of the 68th meeting of the Executive Committee.

The following three parts describe (a) the current implementation modality of the ISP in DPR Korea, (b) the consultation process in Pyongyang and Bhutan, and (c) the proposed alternative methods for disbursement, organizational structure and monitoring procedures as requested by Executive Committee Decisions 64/20 and 66/15.

A. Current methods of disbursement, organizational structures and monitoring procedures for the implementation of the ISP

Disbursement

Under the current financial system, UNEP has been transferring the approved funds under the ISP to DPR Korea through Small Scale Fund Agreements (SSFAs). Following the signature of an SSFA between DPR Korea and UNEP with the agreed work plan, the first payment is made as a cash advance to support the NOU to conduct the agreed planned activities. Upon receipt of a satisfactory interim progress report and financial reports and confirming that 80% of first payment has been spent, UNEP proceeds with making the second payment. UNEP uses this same modality for all ISPs for which UNEP is the responsible Multilateral Fund Implementing Agency.

The cash advance and the later reimbursement will be diverted to the National Ozone Unit, NCCE through UNDP Pyongyang in local currency.

Organizational structure

The National Ozone Unit (NOU) of DPR Korea was established in December 1996 as part of the Institutional Strengthening project funded by the Multilateral Fund under the authority of the NCCE.

NCCE is coordinating all the policies and compliance activities for environmental protection with regard to the cooperation with International Organizations in the field of environment including the implementation of the Montreal Protocol.

NCCE is chaired by the Vice-Minister in charge of international organizations in the Ministry of Foreign Affairs, vice-chaired by the Vice-Minister of the Ministry of Land and Environment Protection and composed of the representatives from relevant line Ministries and Organizations such as State Planning Commission, State Commission of Science and Technology, Ministry of Chemical Industry, Nature Conservation Union, etc.

The NOU, being supported by project officers and coordinators who oversee the activities relating to the Montreal Protocol, coordinates the daily implementation of the Montreal Protocol, prepares and supervises the implementation of the Multilateral Fund projects including RMP and NPP, and fulfils reporting requirement to the Ozone Secretariat and the Multilateral Fund. All staff working in the NOU are appointed by their respective organs and approved by NCCE.

Monitoring procedures

As specified in the SSFA, the NOU needs to submit regular progress reports on the implementation of the agreed work plan, as well as interim and final financial reports, for UNEP's review. The NOU also provides UNEP with copies of final information and outreach products such as newsletters, posters, etc. that were produced under the ISP. UNEP maintains regular contact with the NOU through UNDP Pyongyang for any queries and/or clarifications. Furthermore, from time to time UNEP, in most cases jointly with UNIDO undertakes supervision and inspection missions to visit Pyongyang, in combination with the implementation of other approved activities under the Multilateral Fund. UNEP has also participated in some major awareness activities organized by the NOU under the ISP, such as celebrations of the International Day for the Preservation of the Ozone Layer (Ozone Day) in Pyongyang.

B. Consultation process in Pyongyang and Bhutan

Meeting with NCCE/NOU

UNEP and the DPR Korea NCCE jointly reviewed the Decision 64/20 in Pyongyang from 28 November to 1 December 2011, and identified possible alternative methods of disbursement, organizational structures and monitoring procedures that the Government could consider. During the further consultations between UNEP and the NCCE representative at the Network meeting in Bhutan, the following issues were highlighted:

General issues

- The NCCE first raised concerns about the impact of the delayed approval of the ISP for the country's compliance with Montreal Protocol obligations, and NCCE requested UNEP to convey a similar message that was recorded in the final report of the Joint Meeting of the South Asia-South East Asia Regional Network of ODS Officers in Pokhara during 17-19 October 2011, i.e. "Network countries felt that the IS funding is essential for successful implementation of the Montreal Protocol and Executive Committee should be informed of countries concerns of difficulties that may face if any disruption or delay in funding of IS projects".
- The NCCE further stated that it would fully cooperate with UNEP and the Multilateral Fund Secretariat to explore any possible alternatives as requested by the Executive Committee, even though it was not convinced that it should be singled out for such a treatment.
- The possibility of transferring DPR Korea's ISP to another Implementing Agency was discussed. Although the NOU prefers that UNEP continues implementing the ISP considering its long-term cooperation with UNEP for more than 20 years, and national stakeholders' familiarity with UNEP's reporting requirements and procedures, the NCCE is open to work with any other Implementing Agency if the Executive Committee so decides.

- The NCCE requested UNEP to convey to the Executive Committee the message that the continuous deferral of the ISP renewal for DPR Korea is negatively affecting the normal operation of the NOU, including the preparation of the country's HCFC Phase out Management Plan (HPMP).
- For the proposed alternative methods of disbursement, organizational structure and monitoring procedures, following carefully review of each of all the earlier proposals to the 66th meeting of Executive Committee, it is jointly concluded by NCCE and UNEP that the proposed options to the 66th meeting of Executive Committee would be the best and viable ones in consideration of the constraints of UNEP's administrative framework.
- There are three full-time Ozone Officers among the staff of NOU that have been paid under the IS project directly. If Executive Committee is not in a position to approve the IS project, NCCE would have to convert them to work on the Montreal Protocol matter on a half-time basis, therefore, it can be justified for the Government to pay their salary. The similar arrangement will also be made for the other NOU staff. The NCCE has done its best to keep the NOU operating, but it may still affect the smooth implementation of the Montreal Protocol as well as the HPMP if approved.

Disbursement

- The option to stop advance payments under the current system was discussed. This means that following the signing of the SSFA, the NOU would need to organize the planned activities by using funding from other internal Government resources outside of the Multilateral Fund support, and upon the submission of the progress report, the financial report and the receipts UNEP would reimburse the cost accordingly through UNDP Pyongyang. The NCCE expressed concern about that without advance payments under the ISP, the planned activities may not be organized as originally planned, as they will depend on the availability of the funding in the other resources, which might most likely delay the project implementation. The NCCE advised it would be more efficient to continue the current advance payment system, but instead strengthen the management and monitoring on the use of the advance payments.

Organizational structure

- Concerning staff recruitment in the NOU, the NCCE was flexible for local people to be contracted by a UN organization following the established procedures of UNDP, and to make payments to those staff directly.

Monitoring procedures

- Regarding the monitoring of the activities under the ISP, the NCCE agreed to coordinate with UNEP more closely, to enable UNEP staffs who are visiting DPR Korea for other activities to participate in these activities. The NOU further agreed to provide UNEP with a separate report for each event they organized under the ISP within two weeks of completing the activity.

Meeting with UNDP, Pyongyang Office

UNEP has engaged in discussions with the UNDP DPRK Country Office ("UNDP Pyongyang"), in the latter's capacity as a common office serving the entire UN system. It is important to draw the distinction between the role of that Country Office, with its broader support role for UN operations in DPRK, and that of UNDP as an Implementing Agency of the Multilateral Fund. UNEP limited its discussion with UNDP Pyongyang with issues related to the Country Office role.

UNDP Pyongyang has been extremely cooperative, and further showed its support to the work UNEP is carrying out in DPRK under the Multilateral Fund and expressed its readiness to further extend its support, if the working environment permits.

UNDP in DPRK has a special Internal Control Framework and signed a Memorandum of Understanding (MoU) with the DPR Korea Government, specifying those special operating arrangements under finances, banking, human resources, procurement and reporting.

UNDP is directly implementing its projects under the Direct Implementation Modality (DIM). For an example, no advance payments are allowed under DIM, and UNDP should implement all the activities and make payments directly to the vendors for the goods and services and pay in local currency to their local bank accounts of the vendors. UNDP national personnel should be hired under UNDP contracts and are considered UNDP staff. The procurement of goods and services follow the same strict regime and controls, UNDP verify each requisition for goods and services against the lists of Items Prohibited for Export to and Import from DPRK pursuant to UN Security Council Resolutions (UNSCR) 1695 (2006), 1718 (2006) and 1874 (2009) including checking the items against the category “double use items” and accordingly UNDP requests vendors to provide export licenses for goods containing at least 10% of United States- or Japanese-made components or technology.

As the Implementing Agency responsible for DPRK’s IS project, UNEP could engage UNDP Pyongyang to execute the project under UNDP DIM. For the purposes of the Multilateral Fund UNEP would remain the responsible Agency, however the project will be completely managed under UNDP rules and regulations, and the complete budget should be transferred to UNDP Pyongyang to execute the project and not only part of it, this includes managing the staff and resources, activities and payments. UNDP Pyongyang for that will charge its fixed General Administration fee of 7% as well as the Implementation Support Services for DIM projects, which should be added to the total budget of the project.

UNEP is open to any alternatives decided by the Executive Committee, including transfer of DPR Korea’s ISP to another Implementing Agency. Any such arrangement would require prior consultations and agreement between UNEP and the other Implementing Agency, and between the DPR Korea government and the related Implementing Agencies. However, UNEP also recognized that the country’s preference of continuing with UNEP should be respected. In addition, if the ISP is to be transferred, the financial implications to the Multilateral Fund due to the charging structure for programme support cost (PSC) for the ISP, also needs to be considered (note: as per Decision 26/41(d) UNEP receives 0% PSC for ISPs it implements).

UNEP noted that as per the salary level determined by International Civil Service Commission (ICSC), the current salary level of the NOU staff under the ISP is considered reasonable. Currently, the proposed salary level for the 3 staff of the NOU is about USD 520/month per person on average. For comparison, the salary level of local professional working on other projects for UNDP is about USD 900-1,000/month as per the established salary level by ICSC. If UNEP needs to hire the local staff directly, as per UNDP’s procedure the salary level for the NOU staff would need to be increased.

For the physical location of the NOU staff, UNDP Pyongyang informed UNEP that it currently has space constraints and in fact one of its project offices is located outside of UNDP compound in Pyongyang. Therefore, to house the 3 staff of NOU in UNDP Pyongyang’s office would be difficult. Also it recognized that due to the nature of the work of NOU, it might not be efficient for NOU to be located in UNDP compound.

UNDP Pyongyang also advised UNEP to contact other agencies which are operating in DPR Korea to understand their execution modalities. UNEP did so and later the United Nations Children’s Fund

(UNICEF) confirmed that “UNICEF has a full fledged office here in Pyongyang, DPR Korea and manages its activities like any other country office does.”

UNEP’s consultation with UNDP and UNIDO

Following Executive Decision 66/15 as well as the consultation with NCCE representative in the margins of the Bhutan Regional Network meeting, UNEP contacted both UNDP and UNIDO that have on-going programmes in DPR Korea to seek their advice about how to manage the implementation of DPR Korea’s ISP in light of the specific consideration of the Executive Committee on the fund disbursement, organizational structures and monitoring procedures. Further, in recognition that due to UNEP’s constraints and administrative structure, it would be practically difficult for UNEP and DPR Korea to find any viable alternative methods within UNEP that would satisfy the Executive Committee’s expectations, UNEP also proposed to introduce to both UNDP and UNIDO the possibility that one of their agencies could better serve DPR Korea for its ISP needs.

Both UNDP and UNIDO provided the following responses to UNEP’s request for advice:

- **UNDP:** Although it has a country office in Pyongyang, UNDP has no Montreal Protocol-related portfolio in DPR Korea therefore with only one small ISP project the quality of implementation would be impacted negatively unless they would be able to strengthen the local capacity at the country office level. However, this would be difficult due to the limited level of fees available in one single project. In conclusion, UNDP recommends that an Implementing Agency with more than one project should be selected to implement the ISP. The operational arrangements in UNDP involve the coordination of the entire Montreal Protocol programme by UNDP’s Montreal Protocol Unit in New York (MPU) with all country offices through delegated authority from the Administrator of UNDP and the head of the Bureau. It is therefore not possible to transfer the IS project to UNDP CO without discussion and a workable arrangement between UNDP MPU and UNDP DPRK. Having consulted with the head of UNDP MPU, additional discussions would be needed between UNDP/MPU and UNDP DPRK regarding capacities and cost recovery as well as UNDP MPU coordination role, before any decision could be reached regarding whether the project can be transferred.
- **UNIDO:** Following consultations with its Administration Department, UNIDO informed that it faces similar problems as that experienced by UNEP, therefore UNIDO would not be able to accommodate the requirement of the Executive Committee for the management of the ISP.

For the proposed alternative methods of disbursement, organizational structures and monitoring procedures, both UNDP and UNIDO reviewed reports; however, they acknowledged that it would be difficult for them to offer any advice due to the different administration and management systems.

UNEP’s internal consultations

UNEP consulted UN Economic and Social Commission for Asia and the Pacific (ESCAP) that is providing administrative service to UNEP ROAP to determine whether it would be administratively possible for UNEP to directly contract the local staff working for DPR Korea’s NOU. ESCAP advised that it would not be able to contract the Ozone Officer without daily supervision in Pyongyang. Therefore, UNEP would not be a position to recruit the local staff.

UNEP is also in consultation with its legal office in Nairobi on the implementation modality taking into account the UNSCR 1695 (2006), 1718 (2006) and 1874 (2009).

C. Proposed alternative methods of disbursement, organizational structures and monitoring procedures

Fund disbursement approach under the ISP

All activities under the ISP would be undertaken locally, such as public awareness events, UNEP and NCCE would sign a financial agreement (SSFA) to clearly define all activities and the respective costs. UNEP, as per the financial agreement, would make advance payments in the local currency (Korean Won) through UNDP Pyongyang after a detailed workplan for the year has been submitted listing the activities that will be conducted. However, the advance payment would not be spent for any of these activities unless the NOU submits a separate further detailed Terms of Reference (TOR) for each of the planned activities at least one month before the activity, for endorsement by UNEP. It was also agreed that within two weeks following the completion of the activity, the NOU would submit to UNEP a detailed report of the activity undertaken against the endorsed TOR with expenditure reports as well as original receipts for UNEP's review and monitoring. For any activities that are organized without UNEP's pre-endorsement, UNEP would not agree to cover the cost under the ISP.

Organization structure

The NOU staff would be recruited by the Government, and would be physically based in NOU office located at the Environment and Development Centre. UNEP, UNIDO and their consultants could easily visit the NOU office during their missions, and the NOU staff would be invited to the meetings of the Regional Networks of Ozone Officers as well as other relevant meetings concerning the implementation of the Montreal Protocol.

Monitoring procedures

As agreed with NCCE, in addition to the semi-annual progress report that is required for any country as per UNEP procedures, the NOU of DPR Korea would conduct each planned activity as per pre-endorsed TOR following the above-mentioned procedure and submit the activity report within two weeks after completion of the activity. In addition, UNEP would coordinate with the NOU on the timing of the organization of any activity to maximize UNEP staff's physical participation in ISP activities. UNEP is responsible for implementing other projects with DPR Korea beyond those of the Multilateral Fund, therefore frequent visits of other UNEP ROAP staff (i.e. they do not work in UNEP's Compliance Assistance Programme) to Pyongyang will also be utilized for such monitoring. UNEP CAP will also try its best to organize visits to the NOU twice a year for coordination, advice and review of ongoing ODS phaseout activities implemented by UNEP in DPR Korea.

The NCCE would like to invite UNEP to major events and activities under IS project and also agrees that UNEP will have unhindered access to project sites, as necessary for the implementation, monitoring and oversight of the UNEP-implemented projects.