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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Ninety-first Meeting  
Montreal, 5-9 December 2022  
Item 9(a) of the provisional agenda<sup>1</sup>

**OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW**

**Introduction**

1. The present document consists of the following sections:
  - I: An overview of projects and activities submitted by bilateral and implementing agencies
  - II: An overview of projects and activities following the project review process:
    - II.1 Projects submitted and subsequently withdrawn
    - II.2 Projects recommended for blanket approval
    - II.3 Projects recommended for individual consideration
  - III: Issues identified during the project review process:
    - III.1 Request for funding additional activities to maintain energy efficiency for the servicing sector under decision 89/6(b) for low-volume-consuming countries that had completed their HCFC phase out management plans
    - III.2 Approval of tranche requests for stage II of the HCFC phase-out management plans pending submission of outstanding project completion reports (decision 81/29)
    - III.3 Submission of a Kigali HFC Implementation Plan and an individual HFC investment project in the absence of cost guidelines and of a template Agreement for HFC phase-down
  - IV: Reports on the implementation of decisions and follow-up on previous discussions relating to project review:

<sup>1</sup> UNEP/OzL.Pro/ExCom/91/1

- IV.1 Institutional strengthening renewal requests
- IV.2 Funding withheld pending submission of verification reports or meeting specific conditions
- IV.3 Summary of prices of the controlled substances and alternatives

## I. Overview of projects and activities submitted by bilateral and implementing agencies

2. Table 1 presents a summary of requests that were submitted by bilateral and implementing agencies to the 91<sup>st</sup> meeting.

**Table 1: Requests submitted by bilateral and implementing agencies**

Projects and activities	No. of countries	No. of funding requests	Amount requested (US \$)	Amount in principle (US \$)
Stage II/III of HCFC phase-out management plans (HPMPs)	6	14	18,159,883	48,100,422
Tranches of approved HPMPs	18	33	19,079,248	
Tranche of approved HCFC production phase-out management plan (HPPMP)	1	1	23,232,000	
Preparation for stage II/III of HPMPs	4	4	267,500	
Verification of compliance of selected Article 5 countries with their HPMP Agreements	17	17	567,900	
Stage I of Kigali HFC implementation plan (KIP)	1	2	237,795	746,805
HFC-related investment project	1	1	353,605	
Preparation for KIPs and/or investment-related activities	14	23	2,492,980	
Preparation of a regional KIP	12	1	875,800	
Renewals of institutional strengthening (IS) projects	27	27	4,586,590	
Technical assistance: Additional activities to maintain energy efficiency for the servicing sector	1	1	113,000	
Technical assistance: Twinning of ozone officers and national energy efficiency policymakers to support Kigali Amendment objectives		1	890,674	
Compliance Assistance Programme (2023 budget)		1	10,939,495	
Core unit costs (2023)		3	5,928,242	
<b>Total</b>		<b>129</b>	<b>87,724,712</b>	<b>48,847,227</b>

Note: Funding amounts include agency support costs

## II. Overview of projects and activities following the project review process

3. Following the project review process, five funding requests for projects and activities totalling US \$1,595,019, including agency support costs, have been withdrawn, 84 requests totalling US \$10,184,891, including agency support costs, are recommended for blanket approval, and 40 requests totalling US \$71,864,762, including agency support costs are being forwarded for individual consideration. Together, the funding requests for projects and activities for blanket approval and those for individual consideration amount to US \$82,049,653, including agency support costs.

### II.1 Projects submitted and subsequently withdrawn

4. Table 2 presents a summary of the requests that were submitted by bilateral and implementing agencies to the 91<sup>st</sup> meeting and subsequently withdrawn.

**Table 2: Requests submitted and subsequently withdrawn**

Projects and activities	No. of countries	No. of funding requests	Amount requested (US \$)
Tranches of approved HPMPs (paragraph 5)	1	2	994,929
Renewal of IS projects	2	2	557,290
Preparation for stage III of HPMP	1	1	42,800
<b>Total</b>		<b>5</b>	<b>1,595,019</b>

Note: Funding amounts include agency support costs.

### Tranches requests submitted and subsequently withdrawn (Iraq)

5. UNEP, on behalf of the Government of Iraq, submitted a request for the second tranche of stage II of the HCFC phase-out management plan (HPMP). The Secretariat requested that this proposal be deferred to a future meeting as the conditions for consideration of the second tranche of the HPMP as per decision 87/40(c)<sup>2</sup> had not been met. The submission also lacked the HCFC consumption verification report required under paragraph 5(b) of the agreement between Iraq and the Executive Committee.

## II.2 Projects recommended for blanket approval

6. Table 3 presents a summary of requests that are recommended for blanket approval. Document UNEP/OzL.Pro/ExCom/91/30, which will be considered under agenda item 9(c), includes additional information on these requests, a list of projects recommended for blanket approval and a recommendation by the Secretariat for the consideration of the Executive Committee.

**Table 3: Requests recommended for blanket approval**

Projects and activities	No. of countries	No. of funding requests	Amount recommended (US \$)
Tranches of approved HPMPs	10	15	1,994,211
Preparation for stage II/III of HPMPs	3	3	224,700
Verification of compliance of selected Article 5 countries with their HPMP Agreements	17	17	567,900
Preparation for KIPs and/or investment-related activities	14	23	2,492,980
Preparation of a regional KIP	12	1	875,800
Renewals of IS projects	25	25	4,029,300
<b>Total</b>		<b>84</b>	<b>10,184,891</b>

Note: Funding amounts include agency support costs.

## II.3 Projects recommended for individual consideration

7. Table 4 presents a summary of requests that were submitted for individual consideration. Document UNEP/OzL.Pro/ExCom/91/31, which will be considered under agenda item 9(d), lists the projects and activities submitted for individual consideration at the 91<sup>st</sup> meeting, except for the Compliance Assistance Programme budget (2023)<sup>3</sup> that will be considered under agenda item 9(e), core unit costs

<sup>2</sup> Including the submission of project completion reports for stage I of the HPMP by UNEP and UNIDO; the confirmation of the completion of the national phase-out plan (first tranche) and of the project to replace refrigerant CFC-12 with isobutane and foam blowing agent CFC-11 with cyclopentane in the manufacturing of domestic refrigerators and chest freezers at Light Industries Company for Iraq; and the submission of project completion reports by UNIDO.

<sup>3</sup> UNEP/OzL.Pro/ExCom/91/58

(2023)<sup>4</sup> that will be considered under agenda item 9(f), and the tranche of the approved HPPMP<sup>5</sup> that will be considered by the Sub-group on the Production Sector under item 3(b) of the Sub-group's agenda.<sup>6</sup>

**Table 4: Requests recommended for individual consideration**

Projects and activities	No. of countries	No. of funding requests	Amount recommended (US \$)	Amount in principle (US \$)
Stage II/III of HPMPs	6	14	16,198,471	42,484,376
Tranches of approved HPMPs	7	16	13,989,367	
Tranche of approved HPPMP	1	1	23,232,000	
Stage I of KIP	1	2	286,876	745,005
HFC-related investment project	1	1	286,637	
Technical assistance: Additional activities to maintain energy efficiency for the servicing sector	1	1	113,000	
Technical assistance: Twinning of ozone officers and national energy efficiency policymakers to support Kigali Amendment objectives		1	890,674	
Compliance Assistance Programme (2023 budget)		1	10,939,495	
Core unit costs (2023)		3	5,928,242	
<b>Total</b>		<b>40</b>	<b>71,864,762</b>	<b>43,229,381</b>

Note: Funding amounts include agency support costs.

### III. Issues identified during the project review process

#### III.1 Request for funding additional activities to maintain energy efficiency for the servicing sector under decision 89/6(b) for low-volume-consuming countries that had completed their HPMPs

8. The Executive Committee decided at the 89<sup>th</sup> meeting to consider a set of additional activities prescribed under 89/6 (b) for inclusion in existing and future HPMPs for low-volume-consuming (LVC) countries, when needed for the introduction of alternatives to HCFCs with low or zero global-warming potential (GWP) and for maintaining energy efficiency in the refrigeration servicing sector; and that implementing agencies, when submitting an HPMP tranche request, should include the specific actions, performance indicators and funding associated with the activities referred to above, a progress report on the implementation of those activities under the previous funding tranche, and a revised Agreement between the Government of the Article 5 country concerned and the Executive Committee.

9. The Maldives, through UNEP, submitted a project proposal<sup>7</sup> for additional activities for the introduction of low-GWP alternatives and for maintaining energy efficiency in line with decision 89/6(b) for consideration of the Executive Committee at the 91<sup>st</sup> meeting. During the review, the Secretariat noted that while the proposal offered benefits to the country regarding promoting energy efficiency in the servicing sector, it was being submitted outside the HPMP, as the Maldives had completed theirs in 2021 with an accelerated phase-out schedule.

10. The Secretariat noted that decision 89/6(d) referred to the submission of the activities associated with tranches or new stages of HPMPs, and further noted that there were two LVC countries that had already

<sup>4</sup> UNEP/OzL.Pro/ExCom/91/59

<sup>5</sup> UNEP/OzL.Pro/ExCom/91/SGP/3

<sup>6</sup> UNEP/OzL.Pro/ExCom/91/SGP/1

<sup>7</sup> UNEP/OzL.Pro/ExCom/91/44

completed their HPMPs with accelerated phase-out schedules (i.e., the Maldives and Kyrgyzstan), and that decision 89/6 specified how these additional activities would be submitted.

## **Recommendation**

11. Given the circumstances, the Executive Committee may wish:
- (a) To provide guidance on whether decision 89/6 applies to those low-volume-consuming countries that had already completed their HCFC phase-out management plans; and
  - (b) To consider the proposal from the Maldives as contained in document UNEP/OzL.Pro/ExCom/91/44 during the discussion of projects for individual consideration.

### **III.2 Approval of tranche requests for stage II of the HPMPs pending submission of outstanding project completion reports (decision 81/29)**

12. At the 91<sup>st</sup> meeting, UNIDO submitted requests for the second tranches of stage II of the HPMP for Albania, Montenegro, and Turkmenistan. Stage I of the HPMP for these countries was operationally completed on 31 December 2021 and their project completion reports (PCRs) were due on 30 June 2022. All the technical and cost issues associated to the second tranche requests were resolved; however, in line with decision 81/29, these proposals could only be considered if the outstanding PCRs were submitted.

13. UNIDO had initially scheduled the submission of these PCRs in 2023, based on the understanding that they would count against the agency's performance indicators for that year. Upon receiving clarification on the expected date of submission, UNIDO proceeded to finalize the PCRs, but at the time of issuance of documents for the present meeting they had not yet been submitted.

14. The Secretariat noted that the countries had taken all necessary steps to complete the previous stage of the HPMP and that UNIDO would be submitting the PCRs promptly. The Secretariat also considered it important that the three countries should continue with the implementation of activities. Accordingly, on an exceptional basis, the Secretariat recommended blanket approval of the second tranches of stage II of the HPMPs in these three cases, on the understanding that the Treasurer would transfer the funding to UNIDO only upon confirmation by the Secretariat that the PCRs for stage I of the HPMPs had been received.

### **III.3 Submission of a KIP and an individual HFC investment project in the absence of cost guidelines and of a template Agreement for HFC phase-down**

15. At the 91<sup>st</sup> meeting, the Secretariat reviewed two projects related to HFC phase-down: a stand-alone HFC investment project for the conversion of the manufacturing of domestic and commercial refrigerators from HFC-134a to isobutane (R-600a) and propane (R-290) at Induglob for Ecuador,<sup>8</sup> and stage I of the KIP for the Niger,<sup>9</sup> both submitted by UNIDO. The Secretariat and UNIDO discussed both projects, noting that the cost guidelines for HFC phase-down had yet to be finalized by the Executive Committee.

16. In the case of the investment project at Induglob, the Secretariat considered the experience and information gained during the review of similar projects in the commercial refrigeration sector associated with HCFC-22, and other HFC phase-down investment projects implemented under decision 78/3(g). The

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<sup>8</sup> UNEP/OzL.Pro/ExCom/91/40

<sup>9</sup> UNEP/OzL.Pro/ExCom/91/48

Secretariat and UNIDO completed their discussions on the technical and cost issues and reached an agreement prior to the meeting.

17. In the case of stage I of the KIP for the Niger, the Secretariat noted that:
- (a) The Niger did not have an established HFC baseline, therefore the proposed reductions required for compliance might need to be revised once the baseline was known;
  - (b) There was no agreement yet on how to define the starting point for aggregate reductions of HFCs;
  - (c) In the absence of HFC cost guidelines, the review of individual activities included in the proposal was based on the cost considerations proposed in similar phase-out plans for the servicing sector approved in the past, and that the overall cost of stage I of the KIP would need to be adjusted once the funding levels for the servicing sector were agreed and the baseline for the country was established; and
  - (d) The Secretariat did not submit a draft Agreement between the Government of the Niger and the Executive Committee for stage I of the KIP, as the issues raised above needed further consideration and as their resolution was essential to preparing the Agreement.

18. A template Agreement for the KIPs would need to be prepared and issued for the benefit of all Article 5 countries. The Secretariat noted that the template Agreement for the HPMPs could serve as a basis for preparing an equivalent document for the KIPs. A preliminary draft Agreement for the KIPs could be submitted for consideration by the Executive Committee at the 92<sup>nd</sup> meeting, following a review of all sections and Appendices of the HPMP template Agreement and ensuring that it included adjustments related to the additional considerations for HFC phase-down and the Kigali Amendment, while taking into account the policy decisions on the cost guidelines for HFC phase-down to be made by the Executive Committee at the 91<sup>st</sup> meeting.

19. If the discussions on the cost guidelines for HFC phase-down are not concluded at the 91<sup>st</sup> meeting, the preliminary draft KIP Agreement template could still be prepared, on the understanding that it would be later revised to include the relevant cost guidelines for HFC phase-down, once agreed.

20. For the specific project and following precedent practice, the Secretariat, UNIDO and the Government of the Niger will prepare a draft Agreement for consideration of the Executive Committee at a future meeting once a template Agreement for the KIPs is approved.

## **Recommendation**

21. Given these circumstances, the Executive Committee may wish to consider:
- (a) In the absence of the cost guidelines for HFC phase-down, HFC individual investment projects and stage I of the Kigali HFC implementation plans (KIPs), on a case-by-case basis, including the HFC individual investment project for Ecuador and stage I of the KIP for the Niger at the 91<sup>st</sup> meeting under agenda item 9(d) on projects recommended for individual consideration;
  - (b) Requesting the Secretariat to prepare a draft template for an Agreement for stage I of the KIPs for consideration by the Executive Committee at the 92<sup>nd</sup> meeting; and
  - (c) Agreeing that the template Agreement will be reviewed once discussions on the criteria for funding HFC phase-down have been completed.

## **IV. Reports on the implementation of decisions and follow-up on previous discussions relating to project review**

### **IV.1 Institutional strengthening renewal requests**

22. The Secretariat reviewed the terminal reports and requests for the extension of IS funding for 25 countries against relevant decisions, including decision 74/51(c) on the funding level for IS projects, and decision 74/51(e) on the requirement to include specific performance indicators for planned activities. All requests were crosschecked against previous IS reports; progress reports on the implementation of country programmes (CP); data reported under Article 7 of the Montreal Protocol; the latest reports on the implementation of HPMPs; bilateral and implementing agencies' progress reports submitted to the 90<sup>th</sup> meeting; and relevant decisions on compliance adopted by the Parties to the Montreal Protocol. All countries submitted the 2021 data as at the submission date of their requests for extension. All countries reported that they had achieved all or most of the targets set for the specific performance indicators that were part of the progress report for the previous IS phase. The Secretariat recommended all IS projects submitted to the 91<sup>st</sup> meeting for blanket approval.

### **IV.2 Funding withheld pending submission of verification reports or meeting specific conditions**

23. At the 90<sup>th</sup> meeting, the Executive Committee approved the second tranche of stage II of the HPMP for Bangladesh, *inter alia* on the understanding that the Treasurer would be requested to transfer the approved funds to UNDP only following receipt and review of the verification report by the Secretariat in line with decision 72/19(b); and that UNDP committed to submitting the verification report by the end of June 2022 and no later than 12 weeks prior to the 91<sup>st</sup> meeting (decision 90/44). As indicated in the reports on projects with specific reporting requirements,<sup>10</sup> the Secretariat received the verification report on the country's HCFC consumption for 2019-2021 on 2 November 2022, seven weeks after the deadline for submission. Due to the late receipt of this document, the Secretariat was unable to review the submission. Once the verification is reviewed, the Secretariat will request the Treasurer to transfer the approved funds to UNDP. The Secretariat will also include a summary of this report at the 92<sup>nd</sup> meeting in the document containing reports on projects with specific reporting requirements.

### **IV.3 Summary of prices of the controlled substances and alternatives**

24. In line with decision 79/4(c), the Secretariat is presenting for information purposes a summary of the prices of the controlled substances and the alternatives<sup>11</sup> to be phased in for two new stages III of HPMPs (for India and Nigeria), one stand-alone HFC investment project (for Ecuador), and two investment projects submitted as part of the HPMPs (for Morocco and Syria Arab Republic), as submitted to the 91<sup>st</sup> meeting.

#### **A. Ecuador: Conversion of the manufacturing of domestic and commercial refrigerators from HFC-134a to isobutane (R-600a) and propane (R-290) at Induglob**

25. This proposal did not include a request for the incremental operational costs (IOCs), therefore the prices of HFC-134a, R-600a and R-290 were not relevant in calculating the overall project costs.

#### **B. India: stage III of the HPMP**

26. The request for stage III of the HPMP for India included conversions of the remaining eligible enterprises in the residential air-conditioning (AC) and commercial manufacturing, commercial

<sup>10</sup> UNEP/OzL.Pro/ExCom/91/18

<sup>11</sup> Average prices of HCFCs, HFCs and alternatives reported by Article 5 countries under their CP data reports are provided on a voluntary basis.

refrigeration, and process chiller sectors. The prices of HCFC-22 and HFC-32 used to determine the IOCs were consistent with those provided in the country's 2021 CP report.

**C. Morocco: Conversion from HCFC-141b contained in pre-blended polyols for the manufacturing of polyurethane (PU) rigid foams at the remaining small and medium-sized enterprises in Morocco (stage II of the HPMP)**

27. The request for an umbrella project in the PU foam sector in Morocco included conversions of the remaining eligible enterprises. The project included prices of HCFC-141b contained in imported pre-blended polyols at US \$3.10/kg and of HFO-1233zd at US \$16.50/kg. No prices for these substances were reported under the CP report.

**D. Nigeria: Stage III of the HPMP**

28. The request for stage III of the HPMP for Nigeria included conversions of the remaining eligible enterprises in the residential AC manufacturing and commercial refrigeration sectors. The project initially included prices of US \$5.79/kg for HCFC-22 and US \$14.40/kg for HFC-32, while the prices reported under the CP report were US \$6.25/kg for HCFC-22 and US \$8.65/kg for HFC-32. UNDP explained that the prices of HCFC-22 and the alternatives were based on the information collected during project preparation; however, upon additional consultations on the prices obtained by the enterprises, the final calculation of IOCs was based on the revised prices of US \$5.40/kg for HCFC-22 and US \$8.65/kg for HFC-32.

**D. Syria Arab Republic: Investment project to completely phase out HCFCs in the AC manufacturing sector (stage I of the HPMP)**

29. The request for an umbrella project in the AC manufacturing sector for Syria Arab Republic included conversions of a number of manufacturing lines to HFC-32. The proposal included the price of HCFC-22 at US \$6.00/kg, consistent with the CP report, and of HFC-32 price at US \$12.00/kg, which was lower than the price of US \$15.00/kg reported in the CP data. The reason for the difference is the better price that the manufacturer can obtain in relation to the average price included in the CP report.