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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL

Thirty-eighth Meeting
Rome, 20-22 November 2002

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 38th Meeting

Submissions by Agencies and Bilateral Partners

1. The total value of projects and activities received by the Fund Secretariat from implementing and bilateral agencies for submission to the 38th Meeting is US \$430,606,584 (including agency support costs where applicable). The requested funding amounts to US \$182,995,843 including tranches for sector plans and methyl bromide projects.

Secretariat's review of proposed projects and activities

2. The review by the Fund Secretariat of proposals for the funding of projects and activities has resulted in a recommendation for blanket approval of 50 investment projects as well as other activities in the amount of US \$11,063,951. Twenty-eight investment projects and other activities with a total value of US \$3,794,861 have been withdrawn or deferred, including projects which did not provide adequate information or the eligibility of which was in doubt. The incremental costs of investment projects, sector plans and national phase-out plans, with a total value of requested funds amounting to US \$17,454,279, have been agreed with the relevant implementing agencies, and are submitted for individual consideration in keeping with past practice (e.g. methyl bromide investment projects). The incremental costs of an additional 36 investment projects, RMPs, and national phase-out plans (total US \$133,697,585) are still being discussed with the implementing agencies. The outcome of the discussions will be reported to the Executive Committee in due course.

Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for commitment amount to some US \$85.2 million.

Issues arising from project review

Assignment of CFC consumption between sectors

4. At the 35th Meeting, the Executive Committee decided that countries should select a starting point from which sustainable reductions in CFC consumption could be achieved and measured (Decision 35/57). Proviso B of that decision indicates that the starting point represents the maximum consumption that the Fund will pay to reduce and that projects should be consistent with Fund guidance in all respects.

5. The Executive Committee has, over time, taken a number of decisions urging agencies to assist countries to obtain and report accurate consumption data. The Executive Committee has also indicated in various other decisions that it requires data on consumption included in project documents to be free from inconsistencies, in particular, in circumstances where the consumption in projects, either separately or when aggregated, appears to exceed the consumption reported for the sector or for the total substance in the country. Relevant examples include Decisions 17/2, 17/60, 19/28, 19/64, 26/13, 28/25, 29/10, 28/36, 30/41 and 34/18. The requirement that consumption data be accurately reported and that incremental costs be based upon consumption that can be verified, constitutes Fund guidance as embodied in the relevant decisions.

6. A number of multi-year sector plans submitted after the 35th Meeting have contained proposals to fund consumption in various sectors that is significantly different from consumption data officially reported. These discrepancies include situations in which consumption is claimed in sectors for which countries have indicated in previous reports on progress with implementation of country programmes that the consumption is nil. In some cases, the Secretariat has been advised that since the total consumption remains within the remaining eligible consumption under the starting point, and since the project will realise sustained reductions from the starting point, the remaining eligible consumption can be allocated between sectors as desired.

7. This raises two issues. Firstly, the incremental costs reviewed by the Secretariat and recommended for funding have, as a matter of Fund policy, been based on the actual consumption identified during preparation of the project. Additionally, as required by Fund rules, the Secretariat has always endeavoured, to the extent practicable, to establish that the enterprise consumption is consistent with officially reported consumption data. Secondly, because of differing project costs and cost-effectiveness thresholds, the movement of consumption from one sector to another has implications for the calculation of incremental costs. For example within the foam sector itself, cost-effectiveness thresholds vary between US \$6.23 and US \$16.86/kg.

8. Several of the challenges that have arisen from this situation have been successfully resolved in the context of intensive review and discussions on the relevant project, avoiding the need to confront the issue directly. Conversely, other project proposals continue to be delayed or deferred while specific data issues are discussed. The Executive Committee might consider what further guidance it may wish to provide in regard to the allocation of consumption between sectors or within sector plans.

Countries without a compliance baseline

9. The Secretariat received proposals for projects and activities in three countries for which the baseline CFC consumption has not been established, namely Angola, Bosnia and Herzegovina and Haiti. Projects from the latter two countries have not been submitted to the 38th Meeting. The compliance requirements for these countries cannot, at present, be determined. Even when the project is in the form of a national phase-out plan, it cannot be established that the proposed phase-out schedule will meet the relevant compliance deadlines.

10. The most pressing requirement for such countries is to present their data and their circumstances to the Implementation Committee, through the Ozone Secretariat, so that the Implementation Committee can make the appropriate recommendations to the Parties to establish the compliance situation of each country. The Executive Committee might consider urging all implementing agencies responsible for an institutional strengthening project in a country in this situation to ensure that the country is provided with every assistance, as a matter of urgency, to report its compliance baseline data and represent its situation to the Ozone Secretariat. This action should take place before projects and activities other than institutional strengthening are prepared and submitted to the Executive Committee.

Project proposals with minimal impact on phase-out obligations

11. One project has been submitted in the solvent sector in India that will produce a phase-out of 54 ODP tonnes of carbon tetrachloride (CTC) when implemented. The latest total CTC consumption in the solvent sector reported by India was 8,080 ODP tonnes in 2000. Over 8,000 ODP tonnes of this reported consumption remains to be addressed. The eligibility and cost of the project has been agreed. It has nonetheless been referred for individual consideration to highlight the issue of a country that has an urgent need for assistance in a sector but for whom little progress from the assistance so far provided is evident. In December 2001, US \$169,000 plus support costs was provided to UNEP to assist the Government of India, in co-operation with national level industry associations, in developing an action plan for integrated training and related non-investment activities to support phase-out in the solvent sector. It would include co-operation with UNIDO and the World Bank. The Secretariat has not received any information or proposals as a result of this project and is not aware of any other ongoing activities in the sector. Consistent with the primary objective of assisting Article-5 countries to achieve compliance, the Executive Committee might consider urging implementing agencies to take all necessary measures to provide assistance to countries that were at risk, in regard to impending Montreal Protocol control obligations.

Project proposals in which the country would be in non-compliance

12. In Decision 37/20 (a), the Executive Committee decided that project proposals in which the country would be in non-compliance with the control measures of the Montreal Protocol should not be approved by the Executive Committee until the underlying issue of non-compliance had been dealt with by the Parties through the Implementation Committee.

13. One national CFC phase-out plan, for Albania, was submitted for consideration at 38th Meeting. The proposal was based on the country remaining in non-compliance with the freeze and 50 percent reduction in its CFC consumption until 2007. The country programme has been submitted to this meeting but the phase-out plan has been deferred. UNIDO was advised to urge Albania to report its situation to the Implementation Committee through the Ozone Secretariat. This report is provided for information only.
