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**GUIDELINES FOR THE PREPARATION, IMPLEMENTATION AND MANAGEMENT
OF PERFORMANCE-BASED SECTOR AND NATIONAL ODS PHASE-OUT PLANS:
FOLLOW-UP TO DECISION 37/67**

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Introduction

1. Performance-based funding agreements for ODS phase-out were introduced into the Fund operation in 1997 and are being increasingly adopted by some Article 5 countries as a preferred modality for managing their sectoral and/or national ODS phase-out programmes. Since the advantage of the performance-based phase-out plans is the matching of the funding commitment by the Executive Committee with the commitment of countries concerned to comply with the Montreal Protocol obligations, it is essential that the performance targets in such plans conform with the phase-out schedules of the various controlled substances.
2. The plans which have been prepared and implemented to date show a great degree of similarity and convergence, although in some aspects variance exists both in format and substance among these plans. At a time when such plans are becoming the predominant funding modality of the Fund, the current effort in preparing these Guidelines provides the opportunity to formalize experiences accumulated in applying the funding modality, and achieve consistency on those aspects that have not been dealt with uniformly.
3. However, it is also realized that situations in countries vary and needs are different. It would be impractical for the Guidelines to attempt to encompass every situation. Instead, an open approach is followed in developing these Guidelines whereby the purpose is to provide general principles and procedures that should be followed in developing and implementing such performance-based ODS phase-out plans. At the same time, there should be enough room left to allow users of these Guidelines to expand and adapt to suit their specific needs. This is especially true in the specific examples used in the Guidelines and the proposed Format for Annual Implementation Programmes, which are mostly illustrative in nature.
4. The Guidelines contain four parts: Part I – Purpose, Applicability, Definitions, Composition and Deadline for Submission; Part II – Contents of a performance-based ODS phase-out proposal; Part III – Contents of the agreement for a performance-based phase-out plan; and Part IV – Implementation of the performance-based ODS phase-out plan.

Part I – Purpose, Applicability, Definitions, Composition and Deadline for Submission

Purpose

5. The purpose of the Guidelines for the Preparation, Implementation and Management of Performance-Based ODS Phase-Out Plans (hereinafter referred to as “the Guidelines”) is to

* The amendments made at the meeting of the Informal Working Group are reflected in the text in bold italics.

provide standard procedures for the preparation, implementation and management of performance-based ODS phase-out plans. Users of these Guidelines could expand and adapt the guidelines to suit their specific needs.

Applicability

6. The Guidelines should apply to all the plans that the Executive Committee will enter into that entail a financial commitment by the Executive Committee, ***which will approve specific amounts agreed to*** in principle and ***to be*** disbursed over a number of years according to performance targets as agreed and specified in such plans. The performance targets established in such plans should, at a minimum, conform with the phase-out schedules of the Montreal Protocol applicable to the countries concerned in relation to all of the controlled substances covered in the plans, ***except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee.*** These include ODS phase-out plans at a sector level and at a national level. National phase-out plans could include the remaining consumption of a controlled substance, the controlled substances of an Annex/Group under the Montreal Protocol, or all the controlled substances in a country.

7. The Guidelines should not, in general, apply to projects or programmes that aim at completing the phase out at a sub-sector level such as rigid foam, flexible foam, polystyrene/polyethylene of the foam sector, or domestic refrigeration, commercial refrigeration, so-called manufacturing refrigeration and mobile air-conditioning of the refrigeration sector, unless the remaining consumption is high enough to warrant a sub-sector phase-out plan. Otherwise such sub-sector projects should be included either in the context of a sector plan, or a phase out plan covering Annex A/Group I substances, or be treated as group and/or terminal umbrella projects.

Definitions

8. The terms used for the purpose of the Guidelines are defined as follows:

- *A substance*, is defined as an ozone-depleting substance controlled by the Montreal Protocol.
- *Annex/Group*, is defined as those Annexes and Groups related to ozone-depleting substances referred to in the Montreal Protocol. These Annexes/Groups include:
 - Annex A Group I of the Montreal Protocol includes CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115;
 - Annex A Group II of the Montreal Protocol includes Halon 1211, Halon 1301, and Halon2402;
 - ***Annex C Group III: Bromochloromethane***
 - Annex B Group I (CFC-13), Group II (CTC) and Group III (TCA); and

- Annex E: methyl bromide.
- *A sector*, is defined as the industrial sector producing or using one or more ODSs. These sectors include:
 - ODS production;
 - Aerosol;
 - Foams;
 - Refrigeration;
 - Solvents;
 - MDIs;
 - Sterilants;
 - Fire-fighting;
 - All controlled uses of methyl bromide; and
 - Process agents.
- *A sector ODS phase-out plan* aims at eliminating the eligible consumption or production of a controlled substance of an industrial sector; in the case of methyl bromide, of a controlled application.
- *A national ODS phase-out plan* aims at eliminating the total eligible consumption of one or more than one controlled substances in a country, such as Annex A Group I (CFCs), Annex A Group II (halons), or Annex E substances (all the controlled applications of methyl bromide).

Composition

9. A performance-based ODS phase-out plan should consist of two parts: a performance-based ODS phase-out proposal, and an agreement which would formalize legally the commitments of the Executive Committee and the country concerned over the duration of the plan. Before funding can be approved, the plan must be supplemented by the first annual implementation programme, which will form the basis for approval of the initial tranche.

Deadline for Submission

10. A national/sector phase-out plan, complete with a draft agreement and a proposed first annual implementation programme, should be submitted, unless otherwise agreed with the Secretariat, 14 weeks prior to an Executive Committee meeting to allow for a review by the Secretariat.

Part II - Contents of a performance-based ODS phase-out proposal

General Information

11. The phase-out proposal should include general information, such as name of country; type of proposal (sector/national phase-out plan); number of controlled substances covered by the proposal; sector(s) covered and duration of the proposal.

Impact of the proposal

12. The proposal should state the impact in terms of the amount of ODP tonnes of each controlled substance to be eliminated and the impact on national consumption and its relation to compliance. For Annex A Group I CFCs, the proposal should provide data on the starting point established by Decision 35/57; consumption funded since the starting point; remaining eligible consumption unfunded as of submission of the proposal; and phase-out from the proposal as a percentage of the remaining unfunded consumption in the case of a sector plan.

13. For the other controlled substances, the proposal should provide data on eligible consumption reported from the two most recent years prior to the submission of the proposal; consumption funded but not implemented as of submission of the proposal; eligible consumption unfunded as of submission of the proposal after netting out the consumption funded but not implemented; and phase-out from the proposal as a percentage of the unfunded consumption. Particular attention should be paid to establishing the proportion of consumption that is not eligible for funding because it arose from production capacity installed after 25 July 1995.

14. There should be an assessment of the consumption reduction schedule proposed in relation to the Montreal Protocol control schedule of the controlled substance concerned. The reduction schedule proposed should, at a minimum, conform to the Montreal Protocol control schedule, *except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee.*

Data collection and validation

15. The proposal should provide sector distribution of the remaining eligible consumption of each of the controlled substances covered, in terms of the remaining consumption of the sector; consumption funded but not implemented; and the consumption unfunded as of the time of submitting the proposal after netting out the consumption funded but not implemented.

16. There should be a description of the procedure followed in collecting and validating the data, including the name of the institutions involved, the sources of data and the methodology used. If a sampling methodology is *necessary*, there should be a discussion of the representativeness of the sampling. There should be adequate divergence of sources of data to ensure data credibility and reliability. This should follow the chain of ODS supply from the time when the substance is ordered and imported into the country to distributors and manufacturers. This could include but not be limited to sources such as customs, use data from industries, enterprise surveys, data from compressor manufacturers and others.

Strategy and plan of implementation

17. The proposal should describe the strategy that will be followed to achieve the annual reductions proposed, in particular, the management of the supply and demand of ODS in the country to achieve the objectives of the proposal. This should include a discussion of policy instruments to reduce the supply of ODS, such as import quotas, price controls and the control of illegal trade in ODS. This should also include the steps to be taken to gradually curtail ODS demand (e.g. measures like completing the conversions of manufacturing industries while simultaneously planning to address demand in the refrigeration servicing sector).

18. The strategy should include a time frame of implementation based on the actual conditions in the country. This would entail an assessment of how much of the current consumption could be avoided with little investment but with targeted awareness campaigns and evaluations carried out on the results of such campaigns in terms of actual reduction achieved.

19. There should be an implementation programme sector-by-sector on how the ODS demand reduction will be achieved year by year. This includes a description of the contribution of activities by industry and government. This should include annual data on reductions to be achieved; reduction from on-going projects; reduction from new conversions in the manufacturing industries; reduction from servicing; and contributions from government policy control.

20. For refrigeration servicing, the proposal should describe the strategy to reduce the dependence on CFCs. This strategy could include measures such as legal and economic incentives and disincentives targeting suppliers, service technicians and equipment owners; training of service technicians; public awareness activities; customs control on new CFC-based equipment and vehicles; bans on the introduction of after market CFC-based MAC systems; the retirement of existing CFC-based equipment and vehicles; and the gradual increase in the supply of recycled CFCs .

Incremental costs

21. The proposal should provide the basis and justifications for the calculation of incremental costs.

22. For industry conversions, data should be provided to the extent possible on the number of enterprises, sectors/sub-sectors involved, enterprise ODS consumption and baseline equipment,

date of installation of production capacity, production levels, the average cost-effectiveness of the projects funded in the sector/sub-sector in the relevant country and level of exports to non-Article 5 countries. Using this data, incremental costs should be calculated at the sub-sector level. Where large enterprises are identified with potential individual phase-out costs of over US \$1 million, sub-projects should be appended to the plan establishing the incremental cost in the usual manner.

23. For refrigeration servicing, data provided should include estimated number of viable workshops in the country, their typical baseline equipment, estimated number of technicians currently working in refrigeration servicing, estimated average consumption of CFCs per workshop per year, number of recovering and recycling equipment needed and justification, including an estimate of the amount of ODS to be recovered annually, and other details.

24. *For non-investment activities, the charge against the aggregate baseline ODP level as per Decision 35/57 will not apply since these activities will not be treated as individual separate activities but components of a sector or national phase-out programme. However, the decision should apply to separate non-investment activities submitted outside such performance-based plans.*

25. For management costs, data should be provided on the justification for funding for project management in addition to the funding provided under institutional strengthening project, the role and responsibility of the project management to be funded.

Management

26. There should be a description of the management structure for the implementation of the phase-out proposal. This should include a clear indication of the roles to be assumed by Government bodies, industry bodies, academic institutions and consultants. Accountability of the management is of paramount importance. Thus a designation of a government entity to which the management should be held accountable should be indicated.

27. There should also be a discussion of the implementing agency to be involved in the management and implementation of the phase-out proposal. If there is more than one implementing agency involved, there should be a designation of the lead implementing agency and cooperating agencies, with a clearly defined role and responsibility for each of the implementing agencies involved.

Monitoring and Evaluation

28. There should be a clear description of the financial and substantive oversight to be exercised over the plan and should include the name of institutions involved, role and responsibility of each institution, type and frequency of reporting. There should be adequate provision to ensure independent confirmation of the achievement of the performance targets specified in the agreement, including a periodic evaluation to be included in the Monitoring and Evaluation Work Programme of the Fund. ***Such evaluations could be undertaken by national auditing authorities that are not involved in the implementation and management of such***

plans, provided that their independence was guaranteed by the implementing agency concerned.

Performance targets and disbursement schedule

29. A schedule of fund disbursement should provide the funding requirement in annual tranches to achieve the performance targets. Performance targets will include, inter alia, maximum ODS consumption levels, annual ODS reduction targets and the investment and non-investment activities proposed to be achieved in the year in question.

Part III - Contents of the agreement for a performance-based ODS phase-out plan

General Information

30. The agreement on the phase-out plan should include general information, such as name of country; type of the plan (sector or national phase-out plan); controlled substances covered by the agreement; duration of the agreement; and total funding level agreed in principle.

Impact of the agreement

31. The agreement should state the impact in terms of the amount of ODP tonnes of each controlled substance to be eliminated. For Annex A Group I CFCs, the agreement should provide data on the starting point established by Decision 35/57; consumption funded since the starting point; remaining eligible consumption unfunded as of submission of the agreement; and phase-out from the agreement as a percentage of the remaining unfunded consumption in the case of a sector plan.

32. For the other controlled substances, the agreement should provide data on eligible consumption reported from the two most recent years prior to the submission of the agreement; consumption funded but not implemented as of submission of the agreement; eligible consumption unfunded as of submission of the agreement after netting out the consumption funded but not implemented; and phase-out from the agreement as percentage of the unfunded consumption.

Performance targets, indicators of achievement and fund disbursement schedule

33. Performance *targets* should be set in annual reduction levels of the controlled substance concerned, starting from the year that the agreement is approved. The performance targets should at a minimum meet the control schedules of the Montreal Protocol for each of the controlled substances concerned, *except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee.*

34. *Indicators* should be provided for each annual target to validate and corroborate the achievement of the targets. To the extent possible, these indicators should be verifiable and quantifiable. For the purpose of illustration, they could include the import and consumption data (supply and demand) of the controlled substance, the completion of investment projects and

associated phase-out, the number of CFC recovery and recycling stations in operation, the enactment and enforcement of a government policy such as import control of CFCs at a certain date, and other quantifiable indicators.

35. A schedule of fund disbursement should show fund requirements in annual tranches to achieve the performance targets

36. The three components can be presented in a tabular form as follows:

Year	Performance target (ODP tonnes)	Consumption allowed under Montreal Protocol controlled schedule (ODP tonnes)	Indicator(s) of achievement	Disbursement (in US\$)

Conditions for disbursement

37. There should be a clear enunciation of the conditions that have to be met by the government of the country concerned before the annual tranche of funding could be released. This should include, among other things, an independent confirmation of the achievement of the agreed target in the phase-out funding period, the submission of an annual implementation programme for the upcoming funding period, and confirmation of the achievement of the activities included in the previous annual implementation programme.

Delineation of annual funding cycle

38. There should be a delineation of the annual funding cycle in the agreement which should include the time of the year that the funding request would be submitted to the Executive Committee, timing of submission of a report on the independent verification of the implementation of the target in the relevant previous funding period and the timing for submitting the annual implementation programme for the new funding period. Noting the time needed to audit phase-out performance, the plan should indicate clearly which previous funding period will be the basis for the verification audit.

Flexibility for using approved funding

39. The agreement may include a clause about the flexibility that should be allowed for the country concerned to reallocate the approved funds, or part of the funds according to the evolving circumstances in the country to achieve the agreed targets. *Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.*

Monitoring and evaluation

40. There should be a clear description of the financial and substantive oversight to be exercised over the plan and should include the name of the institutions involved, the role and

responsibility of each institution, the type and frequency of reporting. There should be adequate provision to ensure independent confirmation of the achievement of the performance targets specified in the agreement, including *where appropriate* a periodic evaluation to be mounted by the Senior Monitoring and Evaluation Officer of the Secretariat.

Provisions for failing to honour commitments

41. There should be provision for failure to honour the commitment entered into under the agreement. Such provisions should cover situations in which the Executive Committee could not provide the level of funding agreed in the agreement when the country concerned had achieved the required ODS reduction. The provisions should also cover situations in which the country concerned could not meet the agreed ODS reduction target when the Executive Committee had fulfilled its obligation by making the agreed funds available.

Management responsibilities

42. The country concerned should assume overall responsibility for the implementation and management of the agreement to ensure the achievement of its goals. It should, however, choose an implementing agency to assist it in implementing the agreement. In cases where the government decides to enlist the services of more than one implementing agency (bilateral agencies included), the government should indicate the lead agency and the cooperating executing agency(ies).

43. The agreement should include a description of the role and responsibility of the country concerned, the lead implementing agency and each of the cooperating executing agencies.

Arrangement for administrative fees

44. The agreement should specify the arrangement for the payment of administrative fees for the implementing agency(ies) in accordance with the policy of the Executive Committee on administrative costs.

Part IV - Implementation of the performance-based ODS phase-out plan

45. The implementation of the performance-based ODS phase-out plans should be effected through the preparation, submission and approval of annual implementation programmes

Preparation and submission of annual implementation programmes and funding requests

46. Annual implementation programmes and funding requests should be submitted by the lead implementing agency on behalf of the country concerned to the Executive Committee for approval *eight weeks prior to the meeting of the Executive Committee*. As the verification of the achievement of the target in the preceding year is the condition for release of funding for the year of the plan, the annual implementation programme should be submitted together with the performance verification report. If this is not possible due to the time required to complete the

verification after the conclusion of the implementation programme for the preceding year, an interim implementation review should be submitted together with the annual implementation programme.

Contents of the annual implementation programme

47. What is proposed below are the major items that ought to be included in the annual implementation programme, however, the details under each item as shown here are for illustrative purposes only and should be adapted according to the specific needs of each phase-out plan.

- ODS phase-out target: should be the same as agreed upon in the agreement. Indicators should be provided and one of them can be data on the supply, demand and stockpiling of the ODS in the preceding year and the year of the programme.
- Industry action: should include planned phase-out in the manufacturing industry and refrigeration servicing. For manufacturing, the plan should list by sector/sub-sector, the number of industry conversions to be completed and ODS phase-out to be realized. For refrigeration servicing, the plan should indicate the actions to be taken, such as ODS recovery and recycling and anticipated impact of such actions, which can be expressed in the amount of ODS to be recycled.
- Technical assistance: should include the planned enabling activities, their objectives, the target group to be reached and their impact.
- Government action: should include the planned measures to be taken and the schedule of implementation. These could be the enactment and enforcement of government policies on the supply of and demand for ODS, and public awareness campaigns.
- Annual budget: should list the planned expenditures to be incurred for the various activities to be implemented during the year.
- Administrative fees for implementing agencies: should include the name of the agency, planned expenditure of the agency in the year of the plan, rate of administrative fees agreed, and the total administrative fees to be paid.

48. For illustrative purposes, the items discussed above are presented in a tabular form in Annex I.

Annex I

FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

This format is proposed for use by the Article 5 country to prepare the annual implementation programme for the implementation of performance-based ODS phase-out plans; however, it should be modified to suit the specific needs of each plan.

1. Data

Country	_____
Year of plan	_____
# of years completed	_____
# of years remaining under the plan	_____
Target ODS consumption of the preceding year	_____
Target ODS consumption of the year of plan	_____
Level of funding requested	_____
Lead implementing agency	_____
Co-operating agency(ies)	_____

2. Targets

Target:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. Industry Action

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. Technical Assistance

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Type of Policy Control on ODS Import: servicing, etc	
Public Awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
TOTAL	

7. **Administrative Fees**

Annex II**DRAFT AGREEMENT BETWEEN (COUNTRY) AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of [country] (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances in the sectors set out in Appendix 1-A (the “Substances”) prior to [date for final completion], compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances [in the Sectors] in accordance with the annual phase-out targets set out in row 1 of Appendix 2-A (the “Targets”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol, *except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee*. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 9 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in row(s) * and * in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 8 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least [number] days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of these Targets has been independently verified as described in paragraph 8; and
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of

Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 8.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may *have the flexibility to reallocate the approved funds, or part of the funds according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.*

8. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. [Name of the lead IA] (the “Lead IA”) has agreed to be the lead implementing agency [and [name of other IAs] (the “Cooperating IAs”) have agreed to be cooperating implementing agencies under the lead of the Lead IA] in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. [The Cooperating IAs will be responsible for carrying out the activities listed in Appendix 6-B.] The Executive Committee agrees, in principle, to provide the Lead IA [and the Cooperating IAs] with the fees set out in row 10 of Appendix 2-A.

9. Should the Country, for any reason, not meet the Targets for the elimination of the Substances [in the Sector] or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. At the discretion of the Executive Committee, Funding will be reinstated according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

10. The Funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the Funding of any other consumption//**production** sector projects or any other related activities in the Country.

11. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide access by the Lead IA [and the Coordinating IAs] to information necessary to verify compliance with this Agreement.

12. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and do not extend to obligations beyond this Protocol. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1-A

THE SUBSTANCES

1. The common names of the ozone-depleting substances to be phased out under the Agreement will be listed here.

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115
	Group II	Halon 1211, Halon 1301, and Halon 2402
Annex B:	Group I	CFC-13
	Group II	CTC
	Group III	TCA
<i>Annex C</i>	<i>Group III</i>	<i>Bromochloromethane</i>
Annex E:		Methyl bromide

Appendix 2-A

THE TARGETS, AND FUNDING

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Montreal Protocol Reduction Schedules						CFC-50%			CFC-85%		
1. Max allowable total consumption of first substance/sector (ODP tonnes)											
2. Reduction from ongoing projects											
3. New reduction under plan											
4. Total annual reduction of first substance (ODP tonnes)											
5. Max allowable total consumption of second substance/sector (ODP tonnes)											
6. Reduction from ongoing projects											
7. New reduction under plan											
8. Total annual reduction of second substance (ODP tonnes)											
9. Lead I.A. agreed funding											
10. Lead I.A. support costs											
11. Cooperating I.A. agreed funding											
12. Cooperating I.A. support costs											
13. Total agreed funding (US \$ million)											
14. Total agency support costs (US \$ million)											

Appendix 3-A

FUNDING APPROVAL SCHEDULE

1. This will indicate the timing of submission for funding of annual implementation plans, for instance:

(a) Funding will be considered for approval at the last meeting of the year prior to the year of the annual plan.

Or

(b) Funding will be considered for approval at the first meeting of the year of the annual plan.

Appendix 4-A

FORM OF ANNUAL IMPLEMENTATION PROGRAMME

See Annex I to the Guidelines

Appendix 5-A

MONITORING INSTITUTIONS AND ROLES

(as developed in the project document)

Appendix 6-A

ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document along the lines of the following: :
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
 - (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme
 - (c) Assisting the Country in preparation of the Annual Implementation Programme;
 - (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
 - (e) Reporting on the implementation of the Annual Implementation Programme commencing with the Annual Implementation Programme for the [year] year to be prepared and submitted in [year];
 - (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate independent technical experts;
 - (g) Carrying out required supervision missions;
 - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
 - (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
 - (j) Coordinate the activities of the Coordinating IAs, if any;
 - (k) Ensuring that disbursements made to the Country are based on the use of the Indicators; and
 - (l) Providing assistance with policy, management and technical support when required.

Appendix 6-B

ROLE OF COOPERATING IMPLEMENTING AGENCIES

(to be developed in the project document and included in this Appendix)

Appendix 7-A

REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by US \$* per ODP tonne of reductions in consumption not achieved in the year.

Annex III

**COMMENTS FROM MEMBERS OF THE EXECUTIVE COMMITTEE AND
IMPLEMENTING AGENCIES ON THE FIRST REVISION OF DOCUMENT
UNEP/OzL.Pro/ExCom/37/65**

CANADA

COLOMBIA

FINLAND

NETHERLANDS

POLAND

UNDP

UNEP

UNIDO

Guidelines for the Preparation, Implementation and Management of Performance-Based and National Phase-out Plans

Comments from Canada

Paragraphs 4, 9, 10, 13, 16, 17, 18, 20, 22, 25, 27, 28

Agree with responses and text proposed by the Secretariat.

Paragraph 6, re: *The performance targets established in such plans should, at a minimum, conform with the phase-out schedules of the Montreal Protocol applicable to the countries concerned in relation to all of the controlled substances covered in the plans.*

Paragraph 33, re: *The performance targets should at a minimum meet the control schedules of the Montreal Protocol for each of the controlled substance.*

In response to ExCom Decision 37/20 (a), the 14th Meeting of the Parties may consider whether the ExCom should be given authority to approve projects for countries in non-compliance, when such projects would bring the country into compliance within a short time frame. Therefore, it is advisable to either delay inclusion of the above-mentioned sentences in the Guidelines or to qualify them, for example, with the following words: ***except to the extent that the performance targets conform to the response by the Parties to Decision 37/20(a).***

Paragraph 23

The data to be provided for the servicing sector should include the names of any training institutions to be involved in the training of technicians and responsible for incorporating the training program into their curriculum.

Paragraph 24

Agree with the statement that this paragraph should be deleted, as it is not realistic, for example, to apply one single cost-effectiveness value of US \$12.1/kg to all the different types of non-investment activities that could be considered for the refrigeration servicing sector within countries with greatly varying levels of consumption. Experience from approved Refrigerant Management Plans (RMPs) indicates that the cost-effectiveness of non-investment activities can vary greatly depending on the type of activity, size of the country, level of consumption and other factors. The statement that it is necessary to have some mechanism to cost these non-investment activities is valid, but since the adoption of Decision 31/48 on RMPs, some implementing agencies have actually been estimating the cost-effectiveness of non-investment activities, such as the training of technicians, based on project and country-specific factors, not on a single, theoretical cost-effectiveness value.

Paragraphs 28 and 40

Either one of these paragraphs on monitoring and evaluation should be revised to make them consistent with one another, as paragraph 40 refers to periodic evaluations by the Senior Monitoring and Evaluation Officer, while paragraph 28 does not.

Paragraph 36

It appears that there should not be a “/” between “ODP” and “tonnes” in the table.

Paragraph 39

No objection to retaining the suggestion that major changes in the plans should be authorized by the ExCom, but it should be noted that ‘major changes’ may need to be elaborated or defined at some point by the ExCom.

Paragraph 40, re: *responsibility of implementing agency if found to be responsible for the inability of country to honour its commitments*

The ExCom has the authority to transfer a project from one agency to another if an agency does not perform its tasks adequately. In addition, delays in the progress of the implementation of national phase-out plans are monitored by the ExCom. If an agency is responsible for a serious delay, it would be expected to remove the reason for the delay as soon as possible and report on its progress at each ExCom meeting if required. Agencies are aware that their performance in implementing such projects would be taken into account by Article 5 countries and the ExCom when considering their involvement in future projects.

Paragraph 44

It seems overly prescriptive to require agreements for national phase-out plans to specify the duration and timing of disbursing of the administrative fees. In order to avoid unnecessary burden for the implementing and bilateral agencies, it should be sufficient to specify the level of administrative fees, together with an acknowledgement that ExCom guidelines regarding the return of balances from completed and cancelled projects, including support costs, will be followed.

COMMENTS FROM COLOMBIA

The following are the comments from Colombia regarding the Guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans:

- **Title:** Colombia agrees with the change proposed for the Title of the Guidelines.
- **Paragraph 4:** Colombia supports strongly the concept that Guidelines should be adopted as a guidance document to be adjusted through the time to incorporate experiences gained in the course of application.
- **Paragraph 10:** The new paragraph between square brackets is more accurate when suggest 14 weeks prior to an Executive Committee meeting in order to submit a national/sector phase-out plan. In this sense Colombia supports this text.
- **Paragraph 23:** The response of the Secretariat with regards to what is meant by “*a viable workshop*” is still unclear. Is important take into account that most of these workshops in Article 5 countries and particularly in Colombia, operate a small scale and that they are spread all over the country working in economic hard conditions. This sort of workshops as Secretariat describes in its response are rather uncommon and without important CFC consumption.

In this context, Colombia considers that the most appropriate way to proceed in this case is that each country, jointly with the implementing agency, develops some criteria to select those eligible workshops according to its national context. Such criteria must be agreed with the Executive Committee.

- **Paragraph 24:** Although incremental cost is considered in the light of investment activities, for Colombia remains a doubt about what should be the case whether current cost-effectiveness of US \$12.1/Kg for non-investment activities is modified in the near future. What mechanism should be applied to adjust approved funds?
- **Paragraph 35:** It is unclear how a schedule of fund disbursement should be in consonance with the Executive Committee guidance on the resource availability, and the following questions rise:
 - 1. Should country adjust its financial resources requirements according to a specific amount established by the Executive Committee?
 - 2. Do this imply that countries could not submit national/sectoral phase-out plans beyond to Montreal Protocol schedules?
- **Paragraph 39:** Colombia supports the criterion that the agreement *must* include a clause about the flexibility for the country concerned to reallocate the approved funds and also, that major changes should be authorized by the Executive Committee.

COMMENTS FROM FINLAND

2002-09-18

Some further comments submitted by Finland are inserted in the following document with track changes – underlined and in green, proposed additional deletions are in red.

Para. 10

10. ~~A national phase out plan covering more than one industrial sector should be submitted four weeks after an Executive Committee meeting to allow for a thorough review by the Secretariat sector experts, hiring of consultants and possibly fielding missions by the relevant Secretariat staff and consultants to the country concerned, as appropriate. A sector plan should be submitted 14 weeks prior to an Executive Committee meeting.~~ [A national/sector phase-out plan including a Draft Agreement and a proposed first annual implementation programme should if not otherwise agreed with the Secretariat be submitted 14 weeks prior to an Executive Committee meeting to allow for a thorough review by the Secretariat sector experts, hiring of consultants and possibly fielding missions by the relevant Secretariat staff and consultants to the country concerned, as appropriate.]

Comments: The Agreement is proposed to be signed by the country/MLF during the ExCom meeting and will we believe be a Draft until signed.

Different policies on deadline for submitting projects are confusing and there should be a uniform policy of 12 weeks in consistence with Decision 20/7 on high cost projects.

Experiences accumulated over the years on project review should result in better efficiency and shorter not longer review period. The plans will be of variable size where a shorter review period can be motivated and needed for various reasons. With the objective to be time efficient during the compliance period, the Agencies should therefore be able to discuss the deadline date with the Secretariat.

Response of the Secretariat: Since the sector and national ODS phase out plans usually involve substantial financial commitment, and multiple sources of data and activities, review process could include data validation of different sources, and sometimes protracted consultation with the relevant implementing agencies and country concerned. This is the due diligence the Secretariat has to exercise in order to formulate responsible recommendations to the Executive Committee on such plans. This process requires time and 14 weeks is a reasonable length of time for such tasks.

Queries: What are the financial implications of the field missions to be undertaken by the Secretariat and its consultants?

Are these missions the same as the technical audits for the ODS production sector? If yes, is this a new policy?

Response of the Secretariat: For projects costing more than US \$5 million, the Executive Committee decided, inter alia (Decision 20/7) “the analysis and review process could involve a joint visit, if warranted, by the Fund Secretariat reviewer and the relevant implementing agency.” This is not the same as the mandatory technical audit for the ODS production sector and it is not intended as a new policy.

The cost of such missions by the Secretariat staff and its consultants would be charged to the travel (budget line 1,600) and the consultancy (budget line 1,200) allocations in the budget of the Secretariat, as appropriate.

Para. 17

17. The proposal should describe the strategy that will be followed to achieve the annual reductions proposed, in particular, the management of the supply and demand of ODS in the country to achieve the objectives of the proposal. This should include a discussion of policy instruments to reduce the supply of ODS, such as import quotas, price controls [*and the control of illegal trade in ODS*]. This should also include the steps to be taken to gradually curtail the ODS demand. (e.g. measures like completing the conversions of manufacturing industries in conjunction with first before taking on the demand in the refrigeration servicing).

Comment: Words in the bracket at the end of the paragraph should be deleted because the rendition could be misconstrued that the phase out in the manufacturing industries and the refrigeration servicing are separate and sequential steps while in reality they overlap, and phase out activities in refrigeration servicing should be planned and executed before the completion of conversion of industries in view of the time lag to enable such activities to produce the impact.

Response of the Secretariat: The comment would have more validity in the event of a country submitting plans covering servicing or manufacturing conversion separately. The paragraph addresses a different situation that is of an integrated sectoral plan, for example refrigeration.

Para. 18

18. The strategy should include a time frame of implementation based on the actual conditions in the country. This would entail an assessment of how much of the current consumption could be avoided with little investment with targeted awareness campaigns and evaluations carried out on the results of such campaigns in terms of actual reduction achieved.

Queries: Awareness campaigns are important but could they always bring about actual ODS consumption reductions?

Response of the Secretariat: The paragraph intends to emphasize the need for an integrated approach to the planning of the various activities to be included under the strategy of implementing the phase out plan. The non-investment activities such as the awareness campaigns should not be treated as individual separate activities, but a component of a

programme contributing to the achievement of the reductions of the ODS consumption. [\(We fully agree to this response\)](#)

Para. 23

23. For refrigeration servicing, data provided should include estimated number of viable workshops in the country, their typical baseline equipment, estimated number of technicians currently working in refrigeration servicing, estimated average consumption of CFCs per workshop per year, number of recovering and recycling equipment needed and justification, including an estimate of the amount of ODS to be recovered annually, and other details.

Queries: What is meant by “a viable workshop”?

Response of the Secretariat: A viable workshop in this context refers to a refrigeration servicing entity which has been operating for a number of years, maintains a sustainable level of business and expects to continue its service in the future.

[... “estimated number” is very important: Lengthy discussions on how to acquire detailed data on current and future consumption by individual service shops risk causing projects unnecessary delays and waste of time and money. Such detailed data are not necessary for the RMPs and are impossible to acquire, as most of those enterprises keep no records, many are unwilling to give away the information they might have and many of them work in the informal sector. The search for of almost exact data and number of viable service shops should not stop relevant measures since the measures can be designed to tackle the situation of good estimations of data and shops.](#)

Para. 24

24. *[For non-investment activities, the charge against the aggregate baseline ODP level should be calculated in accordance with Decision 35/57.]*

Comments and queries: The cost-effectiveness of US \$12.1/kg for non-investment activities in Decision 35/57 is an interim value, to be reviewed in the future. How would this affect the calculation of incremental costs of non-investment activities in the phase out plans?

This cost-effectiveness value is valid for stand-alone non-investment activities, and not applicable for the performance-based plans.

The provision from Decision 35/57 is new but it is necessary to have some mechanism to cost these non-investment activities.

[This paragraph should be deleted since this cost-effectiveness value is valid for stand-alone non-investment activities, and not applicable for the performance-based plans addressing the phase out of validated consumption.](#)

Annex I

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Type of Policy Control on ODS Import, servicing etc	
Public Awareness	
Others	

Policies to control ODS import should not be the only example on type of policy control. Policy control is an important supportive tool in reducing the demand in the servicing sector that should be considered by the governments in the countries concerned.

Guidelines for the preparation, implementation and management of performance-based substance-wide and national ODS-phase-out plans (Decision 37/67)

Poland

Remarks with respect to definitions:

1. Point 2 doesn't include **bromochloromethane**, which is to be totally reduced for Article 5 countries by January 1, 2002 (with possible essential use exemptions).
Is lack this substance intentional or by mistake?
2. Point 3 includes only refrigeration without **air conditioning and heat pumps sector**. It is known that all TEAP reports include this differentiation because of some different use of ODS in both sectors (refrigerant + blowing agent and only refrigerant).
It would advisable to put air conditioning and heat pumps sector to definitions and accordingly in other places of the report.
3. Point 3 contains some exemptional uses of ODS e.g. MDIs and process agents. The question is what about other exemptions: **feedstock, laboratory and analytical uses**.
Is it intentional or by mistake?

COMMENTS FROM NETHERLANDS

Our delegation expressed at the previous ExCom that the draft on the table was fine for the moment, that we need to finalize the document so that it can be used, and that it should be a living document anyway. Indeed, it has already grown yet a bit more thanks to the comments of other members.

Based on the discussions during another agenda-item last time, I have one point that might be addressed in the guidelines as well. It concerns the regional coordination of phase-out plans, with a view to a more level playing field. This issue came up I think in the UNDP business plan, regarding Costa Rica. I would like to leave it entirely up to you whether you think including this issue might help the document to grow, or whether it would hold it back (in which case I withdraw the comment).

COMMENTS FROM UNDP

Definitions:

1. The definition of "Sectors" should be based on ease/convenience that the sector provides for monitoring and verification of phase-out targets. Also, a sector should be distinguished from another by the basic premise that phase-out in one sector is largely unaffected by the phase-out in another.

For example, there are distinct differences between Refrigeration (Manufacturing) and Refrigeration (Servicing) Sectors, in terms of consumption patterns, activities needed to effect phase-out, monitoring milestones and performance/verification indicators. For instance, as long as an operating CFC-based population of refrigeration equipment exists (and as long as CFC prices are not critically prohibitive), CFCs would continue to be consumed in the Refrigeration (Servicing) sector, even if they are phased out in Refrigeration (Manufacturing). Secondly, phase-out in Refrigeration (Servicing) is by definition, only indirect and can be only "facilitated" primarily through well-coordinated incentive, disincentive and regulatory measures, supported by required investments and technical support. The phase-out in Refrigeration (Servicing) is also far more challenging for purposes of independent confirmation/verification. In contrast, the phase-out in Refrigeration (Manufacturing) is primarily a result of investments/technical assistance and legal phase-out commitments can be obtained irrespective of regulations. The phase-out is also amenable to direct verification at enterprise level.

Thus, Refrigeration (Manufacturing) and Refrigeration (Servicing) should be treated as distinct sectors.

2. In the event that these two sectors cannot be treated independently for the purposes of these guidelines, then the requesting Article-5 governments should be urged to entrust preparation and implementation of a phase-out plan for the Refrigeration Sector as a whole, only to one agency, and not to split the work between agencies.

Incremental Costs and Cost-effectiveness:

1. The guidelines should categorically state which incremental costs are eligible and which are not. There has been a large variation in the categories of incremental capital and operating costs and their levels, approved so far for various countries, even for the same sectors.
2. The levels of incremental capital cost line items must be based on formal agreements between Secretariat and Implementing Agencies, as done before in case of individual projects.

3. The guidelines should also state clearly if (and when) incremental operating costs are eligible.

Verification of Phase-out:

1. It is necessary to elucidate in more detail and clarity, the criteria and methodology for independent verification of phase-out.
2. The independent verification agency can be truly "independent", only if it is not "indigenous", as after all, such an agency would be retained and paid for through the project funds, invariably by the government/implementing agency concerned.

COMMENTS FROM UNEP

General: The revised document is a good improvement over the first attempt and tries to take into account some of the comments received on the first draft.

Para 7: The words “high enough” do not adequately address the concerns expressed over the use of the words “Significant consumption” in the last draft. Consumption, above which, the sub-sector plan will be applicable will need to be defined more precisely, for e.g. in terms of ODP tonnes.

Para 8. Definition of sector/National ODS phaseout plan: We reiterate that such plans should also include the ineligible consumption of controlled ODS. Such plans should not only serve for the funding request, but also the practical action plan for the country to phaseout all consumption, not only eligible consumption. Ineligible consumption (along with eligible consumption) is part of the A7 data.

Para 9: It may be more appropriate to use the wordings “legal agreement” instead of “an agreement that will legalize formally ...”. If there is a need to again define what a legal agreement is following the explanation of the Secretariat, this should be included in the definitions.

Para 10: It will be worthwhile to consider that many of these projects don't get approved in one meeting because of complex issues involved and this gives the Secretariat enough time between two meetings to complete the review process. There may not be adequate time for IAs preparing a detailed performance based project after long data collection exercises and then the project going through another Multilateral Fund Secretariat review process.

In view of the above, we feel that MFS should devise, in consultation with the IAs, a more flexible and innovative way of doing business for such projects. For example, Multilateral Fund Secretariat experts and reviewers, could be involved in the project preparation exercise so that collective, coordinated and timely assistance can be given to the countries during the compliance period. Such approach could assist in strengthening the new proposed “contingency Fund” approach. In view of this, the duration of 14 or 12 weeks may not be a real issue.

Para 16: Article 7 data should be the most recent data, as it is official data that is accepted under the Montreal Protocol. Any other data collected either for the purposes of funding under the Multilateral Fund should start from this data as a basis. We should also encourage the countries to make sure that their Article 7 data is correct that can be broken down into sectors if needed, rather than encouraging collection of “new and more recent data” for every performance based agreement that may be developed. Multiplicity of data will only add to discrepancies rather than solve them. It has become evident from the past experience where there are data discrepancies in the data submitted to the Multilateral Fund Secretariat and the Ozone Secretariat by the same country.

Para 17: We reiterate that experience in China, the Bahamas, India, Malaysia, Mauritius and Thailand has shown that the servicing sector phase out needs extensive preparatory work and

since SMEs are involved, a much longer implementation time. So a reference to a sequential phase out after the manufacturing sector phase out may not be conducive in countries' efforts in meeting compliance.

Para. 18: UNEP agrees with the views of the Secretariat. Awareness campaigns are never treated as separate activities, but are always part of the package though the funding has to be separate in order for each activity and funding to be properly reflected.

Para. 18, 19 and 20: should be illustrated with examples following the Secretariat's understanding of these requirements. Reference to some specific cases as examples like the Malaysia/Thailand CFC phase out plan may be helpful to the stakeholders specifically Article 5 countries in understanding clearly these guidelines?

Para. 23: For some of the sectors, it might be difficult to provide the exact number of SMEs with ODS consumption and their production details. This will be difficult to get to the last number as has been very clear from the experiences in this sector.

Para 24: It is not clear whether the remark on page 9 in bold "This paragraph should be deleted" is Secretariat's recommendation. In any case, many countries have expressed concern over the implementation of this Decision 35/57 (relating to cost-effectiveness of US \$12.1/kg for non-investment activities) and the impact it may have on developing and implementing non-investment activities and consequently their compliance position. While the decision exempts LVCs, the remaining countries need more clarity on this issue/

It is useful that lessons learnt from the implementation of such agreements in the past have been considered through a dialogue with the Implementing Agencies. However, country consultations are critical to develop this crucial document and there may be a need to discuss this draft with all countries and not limit it to the Executive Committee members alone. Network meetings may be utilized for such dialogue to give the paper a practical perspective.

In this respect, UNEP would like to fully co-operate with Multilateral Fund Secretariat to outreach the spirit and substance of these guidelines through our CAP programme.

COMMENTS FROM UNIDO1. Para. 9, page 4:

It is suggested in the paragraph that the eventual agreements on the respective NPP or SPP are going to be established between the Executive Committee and the country concerned. We consider it essential to define a range of “the flexibility to apply the funds approved to achieve its goals”, as indicated in the response of the Secretariat. We believe that proper wording of this paragraph will avoid possible difficulties during the implementation process of the plans.

2. Para. 13, page 5:

We believe that the response of the Secretariat to the queries regarding the eligibility criterion of 25 July 1995 to address ODS phase-out according to decision 17/7 should be better elaborated including in particular the criteria to address the process agents in the plans.

3. Para. 16, page 6:

In light of our comments to para. 9 above, we suggest to modify the first sentence of para. 16 by incorporating clear definitions of the responsibilities of the relevant government bodies with respect to the consumption data to be included in the plans as starting points, as well as its validation.

4. Para. 28, page 10:

We believe that the relevant language regarding funding of “independent confirmation of the performance” should be incorporated in this para. to enable the implementing agencies or the implementation units in the respective countries to establish the required budget line in the budgeting of the plans.

5. Para. 44, page 13:

In our opinion the issue of “payment of administrative fees for implementing the agreement” is still pending depending upon the decision to be taken in this respect.

6. Para. 46, page 14:

Taking into consideration a significant level of responsibilities of countries involved in the joint implementing agencies/country implementation of the plans, it is important to have a certain guidance from the Executive Committee regarding the composition or format of “the performance verification report” summarizing the achievements of the target in the preceding year. We believe it will facilitate release of funding for the following year of plan.
