



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/47/54
22 October 2005

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-seventh Meeting
Montreal, 21-25 November 2005

**NEW OPTIONS FOR MONITORING AND ASSESSING THE PROGRESS OF
AGENCIES WITH REGARD TO MULTI-YEAR AGREEMENTS
(FOLLOW-UP TO DECISION 46/8)**

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies

1. At its 46th Meeting, the Executive Committee requested “the Secretariat, in collaboration with the bilateral implementing agencies, to prepare for the 47th Meeting of the Executive Committee, a discussion paper outlining new options for monitoring and assessing the progress of agencies with regard to multi-year agreements, with a view to reflecting more accurately the actual progress phase-out achieved” (decision 46/8).

2. The Secretariat prepared a discussion paper pursuant to that decision and circulated it to bilateral and multilateral implementing agencies for input. The resulting paper presented in this document addresses the current system of monitoring multi-year agreements, the issue of completion dates for annual tranches (and their application to balances from completed tranches and implementation delay reporting for approved tranches and planned tranche submissions), and the definition of phase-out for such tranches and concludes with options and recommendations for consideration by the Executive Committee.

Current system of monitoring multi-year agreements

3. The Executive Committee, through the Secretariat, monitors multi-year agreements in different ways: (1) progress/verification reports submitted with annual funding tranche requests; (2) annual implementing agency progress and financial reports; (3) annual monitoring and evaluation work programme and project completion reports.

4. The first way of monitoring and assessing multi-year agreements is through national implementation plans (NIPs) and progress and verification reports associated with yearly funding tranche submissions of annual implementation plans. The primary objective of verification reports is to determine whether the consumption and/or production levels have been achieved. A format for reporting on this was approved at the 46th Meeting. The progress report component of the annual funding tranche request reviews national implementation in the previous year because, for most agreements, additional funding tranches rely on both the verification report and an assessment of whether the Country had substantially completed all actions set out in the last Annual Implementation Programme.

5. The format for annual implementation plans adopted at the 38th Meeting (decision 38/65) does not require information about disbursement. However, in its planning letter for the 47th Meeting, the Secretariat has requested implementing agencies to provide information on:

- (a) All available uncommitted and un-disbursed resources;
- (b) The proposed year of commitment (or obligation) for all new funding requested in the tranche per activity category and;
- (c) The proposed year of commitment (or obligation) of all funding remaining uncommitted (or un-obligated) per activity category from previous tranches.

6. This information may be used to clarify when activities are expected to be completed and therefore when funds are also expected to be disbursed.

7. The second way of monitoring and assessing progress on multi-year agreements is through the implementing agencies' annual progress and financial reports. This requires the annual tranche to be a component of definable activities and an overall completion date to be provided. Implementing agencies must report the same level of detail for annual tranches of multi-year agreements as they do for individual projects and activities. Formats for progress reporting were first agreed by the Executive Committee at its 17th Meeting in July 1995, and the standard format has been modified to accommodate multi-year agreements. The annual progress report is used to identify any individual project (or annual tranche) for which balances were held 12 months after completion (decision 28/7) and for which the completion had been delayed (decision 22/61). Balances are monitored at every Executive Committee Meeting until they have been fully disbursed or returned. Implementation delays are monitored at every Executive Committee meeting until the impediment causing the delay has been removed or the project completed or cancelled.

8. The third way of monitoring and assessing multi-year agreements is through mid-term evaluations undertaken as part of the annual work programme for monitoring and evaluation. These evaluations, which are foreseen in most agreements, so far cover only a few countries. They have relied on field visits and extensive discussions with stakeholders. Data from the annual funding tranche requests and implementing agencies' progress reports were used for preparing such visits. Data from project completion reports have not been used for these mid-term evaluations because most agreements are not completed until total phase-out. A completion report is therefore not due until the full agreement has been completed, and a format for a project completion report for multi-year agreements has not yet been developed.

Issue of completion dates of annual tranches, balances and delays

9. At the 46th Meeting of the Executive Committee, the Secretariat noted that US \$27 million out of the US \$31 million held in balances by implementing agencies was for annual tranches of multi-year agreements that had been listed as completed projects, despite the fact that the activities in the annual tranches had not been completed. These tranches were listed as complete because the consumption and/or production level required by the agreement had been fulfilled regardless of whether the funded activities of the annual tranche were completed. In some cases, several of these completed annual tranches had no funds disbursed. Nevertheless, additional tranches were approved based on the achievement by the country of the overall levels of consumption and/or production required by the agreement.

10. At the same time it was noted that implementing agencies had also indicated that annual tranches had been delayed. Planned completion dates of tranches were longer than the year associated with the activities in the annual tranches. Despite these facts, and since the countries/sectors concerned had achieved the consumption and/or production level required by the agreement, additional funding tranches were approved.

11. The Secretariat recommended, at the 46th Meeting, that agencies should specify completion dates for annual tranches of multi-year agreements that correspond to the time activities supported by the tranche are to be completed. This would enable the systems for

monitoring implementation and completed projects with balances to more accurately reflect the progress achieved in completing the tasks paid for through the agreement. During the 46th Meeting, there was some discussion of the recommendation of the Secretariat that led to the request for this paper with regard to the use of balances and delay reports for annual tranches of multi-year agreements.

Balances of completed tranches

12. It was argued that annual tranches might be eliminated from the reports on completed projects with balances because this type of reporting was designed for individual projects and balances from completed annual tranches of multi-year agreements cannot be returned to the Fund. However, the purpose of monitoring balances was to ensure that financial completion occurred 12 months after project completion (i.e. completion of activities in the project) regardless of whether funds were returned.

13. Monitoring balances has fostered quicker final disbursement of funds to Article 5 countries. Similarly, the Executive Committee's monitoring of balances could be effective also for multi-year agreements. Although this monitoring would not result in the return of funds, it would serve as an incentive for the agencies to quickly deliver the funds to Article 5 countries. This would require the planned annual activities to be accurately reported as completed only after the completion of the funded activities.

14. It should be noted that this issue has been raised before and that the Executive Committee decided to continue to monitor balances from completed annual tranches and to consider future reports on balances and on the availability of resources, noting the balances of un-liquidated obligations emanating from multi-year agreements which could not be returned (decision 43/2). However, the progress report/verification report/annual funding tranche requests have not, in general, included disbursement data on completed annual tranches.

Implementation delay reporting for approved annual tranches

15. It was argued at the 46th Meeting that annual tranches should not be monitored for implementation delays because, in most cases, their renewal is based primarily on obtaining agreed levels of consumption and/or production without regard to whether or not funded activities were carried out as planned and funds disbursed. In some cases, usually for the World Bank's multi-year agreements, the only requirement is the achievement of the agreed levels of consumption and/or production. Nevertheless, as was indicated above, most multi-year agreements specify that a country should achieve the levels of consumption and substantively complete the activities foreseen in the annual plan. However, in most cases and in the light of the flexibility of countries to redesign the programme, the extent to which substantial completion of activities is achieved is not consistently defined. This led to the paper presented on flexibility in multi-year agreements through which the level of flexibility for all future agreements was agreed (decision 46/37), but this was not made applicable to existing agreements.

16. In general, it is unlikely that the extreme step of denying funding due to non-completion of activities would be taken if the country achieved the agreed consumption and/or production

levels. In fact, in some cases, this is not possible because the agreement only specifies that the country achieves certain levels of consumption and/or production. The only delay in funding has been when the verification of achieved targets could not be provided, while as noted above projects have been declared completed without substantial completion of activities or even completion of any activities.

17. It has also been argued that unlike individual projects, annual tranches cannot be cancelled through reporting on implementation delays pursuant to the procedures on project cancellation. However, one should note that the purpose of monitoring delayed projects was to facilitate the efforts of the agencies and stakeholders to remove impediments and move the project/activity toward completion through a letter from the Chief Officer to the relevant country and agency noting the concern of the Executive Committee. In fact, out of the 938 projects that had been once classified as projects with delays, 871 projects have been completed at a later date.

18. All but 10 of the 77 cancelled projects were cancelled by mutual agreement between the implementing agency and the country concerned, and the remaining 10 through the Committee's procedures. Consequently, the Executive Committee's procedures for monitoring delayed projects have led to the successful completion of projects far more often than their cancellation.

19. Furthermore, the Executive Committee monitors both projects that can and those that cannot be cancelled. In fact in developing the procedures for project cancellation several project types, including refrigerant management plans (RMPs), demonstration projects such as for halon banking, and institutional strengthening could not be cancelled. Nevertheless, the Executive Committee has continued to monitor these projects through additional status reports (see decision 36/14).

20. Finally, the Executive Committee is currently monitoring annual tranches of multi-year agreements. In fact most of the annual tranches that were considered through the existing process were found to have progressed and were removed from the list of projects with implementation delays. They were also assigned a new completion date assigned against which any future delay would be assessed. The World Bank, however, indicated that monitoring tranches for which activities had been delayed for over one year should not occur if a country meets its obligation, but this is inconsistent with current practice. It could also be argued that monitoring delays in activities related to annual tranches could provide a safeguard for agencies in cases where there are difficulties in the annual implementation of activities beyond their control.

Implementation delay reporting for delayed submissions of annual tranches

21. Fifteen annual tranches due for submission in 2005 will now be submitted in 2006 as shown in Table 1.

Table 1

**ANNUAL TRANCHES NOT SUBMITTED IN 2005 INCLUDING PLANNED
SUBMISSIONS TO THE 47TH MEETING**

Country	Agency	Type of Agreement	Value (\$000) in 2005	ODP in 2005	Explanation
Bahamas	IBRD	CFC Phaseout plan	136	14	Submission to 48 th ExCom.
Bangladesh	UNEP	Phaseout plan	142		Not provided.
Bangladesh	UNDP	CFC phase out plan	555	134	Submission to 48 th ExCom.
Bosnia & Herzegovina	UNIDO	ODS Phase-out plan	326	41	Pending the verification report.
Costa Rica	UNDP	Fumigant Methyl bromide	1,042	85	Submission in 2006.
Indonesia	IBRD	Refrigeration MAC	137	27	Not provided.
Indonesia	UNDP	Refrigeration Refrigerant management plan	271	55	Not likely, may be for 48 th ExCom.
Indonesia	UNDP	Refrigeration Domestic/commercial	818	134	Not likely, may be for 48 th ExCom.
Indonesia	IBRD	Foam Phaseout Plan	1,129	125	Not provided.
Kenya	France	Terminal Phase out plan	373		Not provided.
Korea, DPR	UNIDO	Production, CTC closure	513	2,530	Project will be submitted in 2006 but 2005 phase-out will be achieved.
Lebanon	UNDP	CFC phase out plan	538	100	Earliest submission at 48 th ExCom.
Namibia	Germany	Refrigeration - Terminal Phase out	105	3	Delayed. Submission in 2006.
Nigeria	UNDP	CFC phase out plan	866	156	Submission to 48 th ExCom.
Pakistan	UNIDO	Solvents, Sectoral Phase-out Plan	272	44	Data problem and delays in implementation plan.
Total			7,221	3,448	

22. Table 1 indicates that US \$7.2 million in annual tranches representing a phase-out of 3,448 ODP tonnes will be delayed for submission to the next triennium.

23. The current system of monitoring implementation delays does not address delays in submissions as this is normally covered in the context of the reports to the 2nd and 3rd meetings of the year on the extent to which activities in business plans are addressed. The issue of delayed submission of annual tranches can only be determined prior to the 3rd Meeting of the year, despite the fact that annual tranches, by agreement, are due for submission to either the 1st, 2nd, or 3rd Meetings of the year.

24. Currently there is no system of monitoring delayed submissions at each meeting and receiving reports on the reasons for delays. This issue might also be addressed in the context of

the Overview of Issues identified during Project Review document that is submitted to every meeting, but it is not an issue that would necessarily result from a project review since no projects are submitted. The Executive Committee may wish to consider whether this might be addressed in the context of implementation delays in the future as a separate sub-agenda item to cover delays in the submission of annual tranches.

Issue of defining Phase-out for annual tranches of multi-year agreements

25. Decision 46/8 also suggests that the Secretariat and agencies should consider how to more accurately report on phase-out of ODS in annual tranches of multi-year agreements. ODS phase-out in a multi-year agreement is defined relative to national ODS consumption and/or production reductions as defined by Article 3 of the Montreal Protocol. This is because continued funding of multi-year agreements depends on obtaining an agreed level of consumption and/or production. For individual projects, the ODS phase-out was associated with the level of use by the enterprise—either the latest annual consumption or the average of the three latest years of consumption (UNEP/OzL.Pro/ExCom/16/20 para. 32(b)). ODS use does not correspond to consumption as defined by the Montreal Protocol because in any given year this use might include stockpiled ODS imported in prior years.

26. For RMPs pursuant to decision 31/48, ODS phase-out was often associated with the amount of CFCs expected to be recovered/recycled from purchased equipment. However, by agreeing to an RMP, Article 5 countries were also agreeing to achieve the 85% reduction from their baseline consumption, which was often larger than the amount assigned for phase-out by the implementing agencies in their progress reports. Similarly, halon banking projects, although considered the last activity in the sector, often had no phase-out associated with them despite the fact that such projects in effect represented the baseline level of halon consumption.

27. Annual tranches of multi-year agreements are more similar to RMPs pursuant to decision 31/48 and halon banking than to individual enterprise conversion investment projects, in as much as all of these activities are more associated with obtaining compliance levels of consumption than with full ODS phase-out.

28. The data currently being reported to the Executive Committee on phase-out in multi-year agreements are specified in four different ways. There are two sets of phase-out data for multi-year agreements specified in the annual business plans (in one case based on expected implementation and in the other based on the overall cost-effectiveness of the agreement). The Secretariat's Inventory of Approved Projects lists the expected implementation data. Data reported in the implementing agencies' annual progress reports are specified in two different ways. In some cases, agencies indicate the amount phased out as the difference between reported countrywide consumption from one year to the next. In other cases, agencies indicate the amount of phase-out specified in the agreement regardless of the actual levels of consumption reduction achieved from one year to the next.

29. In multi-year agreements, terminal ODS phase-out management plans (TPMPs), and RMPs pursuant to decision 31/48, the phase-out is more related to the levels indicated in the

agreement than to the actual levels of consumption because this corresponds both to the commitment of the country and the requirement of the agreement with the Executive Committee.

30. The use of actual consumption figures might have counter-intuitive results in terms of ODS phase-out. For example, if an agreement allowed 200 tonnes of consumption per year and there was no consumption one year but 100 tonnes of consumption the next year, the data would suggest that there was a negative 100 tonne phase-out instead of the level of consumption and/or production required by the agreement. Such cases would need to be explained and, with the exception of a few instances (for example when halon 1301 production was zero in one year and was positive but below the 100 tonnes in the next year), allowed by the agreement in the following year.

31. There are also some problems in using data specified in the agreements. For example, there are a few agreements that specify a CFC phase-out during the year 2010 when no consumption will be allowed since CFC consumption is banned starting 1 January 2010. Therefore all CFC phase-out would have had to occur during the year 2009. In these cases, the consumption requirement of the Protocol would require greater action than the agreements with the Executive Committee. In other cases, countries have decided to expedite the phase-out and the actual phase-out is different from that in the agreement. Implementing agencies should inform those countries of the need to exceed the requirements in the agreement in order to meet the obligations of the Montreal Protocol and of those cases where actual phase-out data is different from phase-out data indicated in the agreements

32. Some implementing agencies felt that the phase-out per the agreement should be used since this was more comparable to the use of the phase-out term for individual projects. There was concern that using this phase-out would not be consistent with the Article 7 data a country might report. Therefore, it was agreed to propose to the Executive Committee to use actual data with the understanding that the target phase-out and the actual phase-out were based on the same definitions.

Options

33. This section discusses new options for monitoring and assessing progress on multi-year agreements associated with the existing systems of the Multilateral Fund. It proposes enhancements for monitoring national implementation plans' delays and balances and the need for a format for project completion reports.

34. The Executive Committee could decide to request the Secretariat and the implementing agencies to continue to review the national implementation carried out in the previous year and provide additional information in annual implementation plan submissions on disbursements and completed activities including information on when delayed activities funded by an annual tranche are to be completed. There should also continue to be a comparison of what was planned in the previous annual tranche to what was achieved. The disbursement information should be provided cumulatively and data concerning actual or planned obligations and commitments could also be provided, as appropriate. The information should also specify how the relevant flexibility clause in the agreement was implemented and/or how to allocate unused funds from

previous tranches. In this respect, it should be reiterated that the flexibility clause decision applies only to multi-year agreements approved at or after the 46th Meeting (decision 46/37, para. j)

35. The Committee could request the Secretariat to continue to monitor annual tranches in the context of the documents on implementation delays and balances, noting that these monitoring tools appear to have encouraged the removal of impediments to completing projects and activities and so resulted in more timely final disbursement to Article 5 countries of approved funds. To make this process more effective, it could further request implementing agencies to include, in funding requests for annual tranches, the dates of completion of the tasks associated with these annual tranches.

RECOMMENDATION

36. The Executive Committee may wish to consider:

- (a) Noting the Report on options for monitoring and assessing the progress of agencies with regard to multi-year agreements as contained in UNEP/OzO.Pro/ExCom/47/54;
- (b) Adopting the aforementioned options set out in paragraphs 34 and 35 for improving the accuracy of progress reporting on multi-year agreements;
- (c) Requesting implementing agencies to record phase-out according to the actual and real levels of consumption achieved in annual tranches of multi-year agreements, while noting that in some cases the phase-out may need further explanation and that there should be consistent use of the definition of planned and actual phase-out;
- (d) Deciding that a separate sub-agenda item on “Delays in the Submission of Annual Tranches” should be included for future meetings; and
- (e) Requesting implementing agencies to inform countries of the need to exceed the phase-out indicated in an agreement where necessary to meet the obligations of the Montreal Protocol as well as those cases where actual consumption or production data has resulted in changes to the phase-out indicated in the agreements.
