



**United Nations  
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Programme**

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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-ninth Meeting  
Montreal, 10-14 July 2006

**SECRETARIAT ACTIVITIES**

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.

## **Notification of the Decisions of the 48<sup>th</sup> Meeting of the Executive Committee**

1. The report of the 48th Meeting (UNEP/OzL.Pro/ExCom/48/45 & Corr.1), containing the decisions of the Executive Committee, was conveyed to all Executive Committee members, other participants of the 48th Meeting and to Parties to the Montreal Protocol. Additionally, decisions related to project approvals and implementation delays and annual tranche submission delays were sent to 61 Article 5 countries, and to the relevant bilateral and implementing agencies. A post meeting document summarizing decisions made at the 48<sup>th</sup> Meeting was sent by email to all meeting participants, Parties to the Montreal Protocol, and was placed on the Multilateral Fund's intranet and web site. A news release was issued shortly after the meeting.
2. Decisions requesting certain actions by the Secretariat and/or implementing agencies were addressed or communicated as directed by the Committee for follow-up.
3. The Secretariat instructed the Treasurer to transfer resources covering all funding requests approved at the 48th Meeting to the implementing agencies, and/or to credit them as bilateral contributions of the relevant non-Article 5 Parties.
4. The Secretariat forwarded the report to the Technology and Economic Assessment Panel (TEAP), through the Ozone Secretariat, as an input for consideration by TEAP when complying with decision XVII/17 of the Seventeenth Meeting of the Parties, which requested TEAP to prepare terms of reference for the conduct of case studies in Article 5 countries on the technology and costs associated with a process for the replacement of CFC-containing refrigeration and air-conditioning equipment (decision 48/37).

## **Decisions requesting certain actions by the Chair of the Executive Committee**

5. The Secretariat liaised with the Chair of the Executive Committee concerning follow-up to decisions requesting actions by the Chair.

### Decision 48/26 - China, phase II CTC process agent agreement

6. As requested under decision 48/26, the Chair of the Executive Committee wrote a letter to the Parties, through the Ozone Secretariat, "stating that, for the purposes of decision X/14(3)(b) of the Tenth Meeting of the Parties, the Executive Committee agreed that the emission levels of CTC from process agent use set out in the China phase II CTC process agent agreement were levels that met the criterion of being reasonably achievable in a cost-effective manner without undue abandonment of infrastructure". The letter also stated that "the Executive Committee would report annually to the Parties in accordance with decision X/14(3)(b) on whether China had met the agreed emission reduction targets."

### Decision 48/33 - Indonesia: National CFC phase-out plan

7. The Chair also wrote to the Indonesian Minister for Trade regarding the Executive Committee's request that the issuance of a decree for a revised import control and licensing

system be expedited, and explaining that funds approved at the 48<sup>th</sup> Meeting could only be disbursed once the decree was issued

#### Decision 48/41 - Treasury services

8. As a follow-up to decision 48/41, and before seeking legal advice, the Chief Officer attended meetings with the UNEP Officer-in-Charge / Deputy Executive Director (UNEP DED/OIC) and the Director of UNON on the issue of filling the P5 treasury post provided for in decision 42/42. She subsequently advised the Chair of the Committee of the outcome of her discussions confirming that the UNEP DED/OIC was working towards an amicable solution and that the issue of filling the relevant P5 post would be given consideration in the context of reviewing the distribution of tasks and responsibilities between UNEP and UNON on Fund Management matters. Both UNEP and UNON seemed to be in favour of shifting fund management responsibilities to UNEP while retaining the accounting functions in UNON. The Chief Officer also suggested to the Chair that in view of UNEP's position on this issue, it would not appear to be necessary to seek legal advice at this stage. Based on the Chief Officer's report, and as a follow-up to decision 48/41, the Chair wrote to the UNEP DED/OIC to seek his confirmation that the filling of the P5 post would be given consideration in the process of redistributing the roles and responsibilities for the fund management task between UNEP and UNON. Clarification was also sought on how the redistribution of the tasks would apply to the Multilateral Fund Secretariat. At the time of writing a reply from the UNEP DED had not been received.

#### **Review of tasks in preparation for the 49th Meeting**

9. The Secretariat has undertaken the following tasks in preparation for the 49th Meeting.

#### Status of resources and planning

10. The Secretariat prepared information on the availability of resources vis-à-vis the business plans and the status of compliance (UNEP/OzL.Pro/ExCom/49/4 and Add.1). This information included a review of the obligated total balances from completed projects held by agencies and any agency support costs associated with the funds remaining from those completed projects, and a calculation of the total amount of resources available to the Executive Committee for approvals at the 49th Meeting. Resources comprise cash and promissory notes recorded in the Status of Contributions plus the amount of funds returned from completed projects in the form of balances. On the date that document UNEP/OzL.Pro/ExCom/49/4/Add.1 was issued, US \$30,312,324 was available for approvals at the 49<sup>th</sup> Meeting.

11. The Secretariat examined approvals up until the 48th Meeting together with the total level of funds to be requested at the 49th Meeting in view of the allocations in the 2006 business plan. Document UNEP/OzL.Pro/ExCom/49/5 provides a summary of the pertinent decisions taken at the 48th Meeting and the resulting modifications to the business plans of the agencies, and highlights projects in the business plans that have not been submitted but are needed to assist countries to return into compliance with the current control measures of the Montreal Protocol. An assessment of the forward commitments approved to-date and the additional commitments submitted to the 49th Meeting for approval was also prepared.

12. The Secretariat requested national ozone units to provide data on progress of implementation of country programmes for the year 2005, and in some cases for earlier years, using the revised format for reporting data approved at the 46<sup>th</sup> Meeting (decision 46/39).

13. An annual update of the status of compliance of Article 5 countries was again prepared based on 2005 Article 7 data (42 countries) and for countries that had not submitted Article 7 data, based on 2005 country programme data (37 countries). For those countries that had not submitted 2005 data, latest consumption data was used. In the analysis, the phase-out from ongoing projects was deducted from the last reported consumption in order to indicate the prospects of countries in meeting their ODS reduction targets. The analysis indicated that the Executive Committee may need to take action to address Montreal Protocol control measures in five countries.

#### Monitoring and Evaluation

14. A desk study on the evaluation of the Compliance Assistance Programme (CAP) was prepared by the Senior Monitoring and Evaluation Officer as document UNEP/OzL.Pro/ExCom/49/8. The study presents an overview of CAP activities based on a number of information sources including UNEP's business plans, work programmes, progress reports and CAP Advisory Group Reports. A review of documentation and analysis of questionnaires and interviews conducted at the 48<sup>th</sup> Meeting of the Executive Committee and four regional network meetings enabled the identification of a number of evaluation issues and elaboration of the work plan for the full study.

15. In response to decision 48/10, the Senior Monitoring and Evaluation Officer also compiled a compendium of recommendations relevant to the evaluation of refrigerant management plans and national phase-out plans in non-low-volume-consuming countries focusing on the refrigeration servicing sector (UNEP/OzL.Pro/ExCom/49/7).

#### Consolidated progress report

16. The Secretariat compiled data from the implementing and bilateral agencies to summarize the progress and financial information on projects and activities supported by the Multilateral Fund up to 31 December 2005.

### **Project Review**

17. On the date of this document, the Secretariat received, for consideration at the 49<sup>th</sup> Meeting multi-year agreements, projects and activities from 23 Article 5 countries amounting to a proposed funding total of US \$23,857,941. Of this amount, US \$22,970,315 was submitted for approval at the 49<sup>th</sup> Meeting. In addition, a country programme update for India was reviewed.

### **Renewal of institutional strengthening projects (follow-up to decision 47/49)**

18. In response to decision 47/49 the Secretariat, in consultation with the implementing agencies, prepared a document examining the relative merits of replacing the current requirements for submission of requests for renewal of an institutional strengthening (IS) project with a simplified arrangement that would make use of the report on progress on

implementation of country programmes. The outcome of the Secretariat's review is presented in document UNEP/OzL.Pro/ExCom/49/38.

### **Options for addressing the situation of countries referred to in decision XVII/14 of the Seventeenth Meeting of the Parties (follow-up to decision 48/36)**

19. In response to decision XVII/14, the Executive Committee decided at its 48th Meeting to request the Secretariat, in consultation with the implementing agencies, to prepare a paper outlining options for addressing the situation of countries referred to in decision XVII/14 (decision 48/36). The paper has been prepared and submitted for consideration by the Executive Committee (UNEP/OzL.Pro/ExCom/49/39).

### **Documents and policy papers prepared by the Fund Secretariat**

20. Of the documents submitted for consideration at the 49th Meeting, the following were prepared by the Fund Secretariat:

- Provisional agenda and annotated agenda;
- Secretariat activities;
- Status of contributions and disbursements (in collaboration with the Treasurer);
- Report on balances and availability of resources;
- 2006 Business plans;
- Status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol;
- Compendium of recommendations relevant to the evaluation of refrigerant management plans and national phase-out plans in non-low-volume-consuming countries focusing on the refrigeration servicing sector (follow-up to decision 48/10);
- Desk study on the evaluation of the CAP programme;
- Consolidated progress report;
- Comments and recommendations on the progress reports of bilateral and implementing agencies (5 documents);
- Evaluation of the implementation of the 2005 business plans;
- Project implementation delays;
- Annual tranche submission delays;
- Report on implementation of approved projects with specific reporting requirements;
- Overview of issues identified during project review;
- Bilateral cooperation;
- Comments and recommendations on the 2006 work programmes amendments of UNDP, UNEP and UNIDO (3 documents);
- Project evaluation sheets, comments and recommendations on the projects and activities submitted to the 49th Meeting, regarding 13 Article 5 countries ;
- Comments on the country programme update of India;

- The relative merits of replacing the current requirements for submissions of requests for renewal of an institutional strengthening project with a simplified arrangement (follow-up to decision 47/49);
- Options for addressing the situation of countries referred to in decision XVII/14 of the Seventeenth Meeting of the Parties (follow-up to decision 48/36);
- Costs charged to Multilateral Fund accounts that were not assigned to either project or administrative costs with respect to the application of miscellaneous income, exchange rate losses and gains, and bank charges (follow-up to decision 48/38);
- Provisional 2005 accounts (in collaboration with the Treasurer).

### **Cooperation with other Multilateral Environmental Agreements (MEAs)**

21. In the spirit of the “Prague Declaration on enhancing cooperation among chemicals-related multilateral environmental agreements” made at the 14th Meeting of the Parties in November 2004 and decision XVI/34 of the same meeting, the Fund Secretariat collaborated with other MEAs on several occasions.

### UNFCCC/Kyoto Protocol

22. In response to a request from the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) to provide information on the operation of the Multilateral Fund, the Chief Officer and a Senior Programme Officer attended a UNFCCC technical workshop on the Adaptation Fund in Edmonton, Canada (3-5 May 2006). This workshop was in preparation for the 24th Session of the Subsidiary Body on Implementation (SBI24) of the UNFCCC which subsequently took place in Bonn, Germany on 15-26 May 2006. The Chief Officer made a presentation (see Annex I) on the Fund addressing key areas as identified by the UNFCCC Secretariat and responded to questions posed by participants. The Chair of the SBI24 and the UNFCCC Secretariat requested the Fund Secretariat to send a representative to the meeting in Bonn in order to provide further information if requested by governments. A Senior Programme Officer attended part of the SBI24 on 18-23 May 2006. The UNFCCC Secretariat communicated the draft conclusions proposed by the Chair contained in document FCCC/SBI/2006/L.18 (see Annex II), and invited the Secretariat to submit, by 4 August 2006, information on issues contained in the annex to the conclusions on the Adaptation Fund. The information submitted would be compiled in a miscellaneous document for consideration at the SBI25 meeting. The Fund Secretariat would welcome any guidance the Executive Committee may wish to give on this matter.

### UNEP chemicals-related activities

23. As a follow-up to the discussions at the Second Conference of the Parties to the Rotterdam Convention (COP2) on possible options for lasting and sustainable financial mechanisms for the implementation of the provisions of the Convention, the Fund Secretariat was contacted by consultants hired by the Rotterdam Convention Secretariat who were preparing a further study on this issue for COP3 to be held in October 2006. As requested, the Fund Secretariat provided information on the operation of the Multilateral Fund and the type of

activities covered, in particular institutional strengthening, customs training and licensing systems. The final document, which is not yet available on the Rotterdam Convention's website, will be UNEP/FAO/PIC/COP.3/13 - Study of possible options for lasting and sustainable financial mechanisms.

## SAICM

24. The Chief Officer has received a letter dated 6 June 2006 from the UNEP DED/OIC reporting the outcome of the International Conference on Chemicals Management (ICCM) which adopted the Strategic Approach to International Chemicals Management (SAICM) on 6 February 2006 in Dubai. The ICCM also established the Quick Start Programme (QSP) as a principle mechanism for supporting the initial implementation of SAICM, comprising a Trust Fund to be administered by UNEP together with multilateral, bilateral and other forms of cooperation. The DED/OIC is encouraging the Secretariat *“to consider ways in which the Multilateral Fund might be able to contribute to the QSP in accordance with the objective and strategic priorities set out in resolution I/4 of the ICCM and perhaps even to explore the potential for Multilateral Fund and QSP Trust Fund co-financing of projects”*. Any Fund activities that contribute to SAICM implementation would be reported to the second session of the ICCM in 2009. The Executive Committee may wish to consider the appropriateness of inviting the QSP to join in the safe management and disposal of ODS where the Multilateral Fund has already committed significant resources in developing countries in particular in respect of recovery and recycling. A contribution from SAICM could support efforts such as safe management and disposal of ODS as well as other chemicals on a regional and global basis. This would enhance the profile of the Multilateral Fund and contribute to the overall objective of SAICM for *“minimizing significant adverse impacts on the environment and human health by improving production and use of chemicals”*. This could also assist to support the achievement of the goal agreed at the 2002 Johannesburg World Summit on Sustainable Development of ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health.

## **Meetings attended and missions undertaken**

### Missions of the Chief Officer

*Nairobi, Kenya (18-20 April)*

25. The Chief Officer met with the UNEP Deputy Executive Director/ Officer-in-Charge and the Director of UNON regarding treasury issues related to decision 48/41, specifically to consider a way forward regarding the establishment of a P5 position (see also paragraph 8).

*Edmonton, Canada (3-5 May 2006)*

26. The Chief Officer and a Senior Programme Officer attended a United Nations Framework Convention on Climate Change (UNFCCC) technical workshop on the Adaptation Fund (see paragraph 22)

*Antigua City, Guatemala (9-10 May 2006)*

27. The Chief Officer, accompanied by a Senior Programme Officer participated in the “Regional forum on the phase-out of methyl bromide in the Central American region”. The regional forum provided them with the opportunity to meet with high-level representatives from the Government of Guatemala including the Minister of the Environment and the Vice-Minister of Agriculture, representatives from the Governments of Costa Rica, Honduras, Mexico, Spain and the United States of America. The forum was also attended by the Executive Secretary of the Ozone Secretariat, the Regional Director of UNEP/ROLAC, and representatives of UNDP, UNEP and UNIDO. Relevant decisions taken by the Executive Committee for the phase-out of methyl bromide in Costa Rica, Guatemala and Honduras were conveyed to the relevant authorities of these countries. The additional work that was undertaken by the Fund Secretariat over the last nine months had been fundamental in conducting the regional forum and helping major stakeholders in Guatemala to reach an agreement on a MB phase-out plan.

*New Delhi, India (18-19 May 2006)*

28. The Chief Officer, accompanied by the Administration & Fund Management Officer travelled to New Delhi to meet with officials of the Government of India to discuss arrangements for the 50<sup>th</sup> Meeting of the Executive Committee taking place in November 2006. The host government agreement was finalized and the Government of India reiterated their full support for holding the 50<sup>th</sup> Meeting in India and their willingness to cover the cost differentials. The Executive Committee meeting is to be held at the Vigyan Bhawan Conference Centre in New Delhi, back to back with the 18<sup>th</sup> Meeting of the Parties to the Montreal Protocol on 6-10 November 2006. The Chief Officer also had a meeting with the Minister of Environment and Forests to raise the profile of the Multilateral Fund and encourage the Government of India to sustain its successful implementation of the Montreal Protocol.

*Washington D.C., United States of America (6 - 9 June 2006)*

29. The Chief Officer accompanied by a Senior Programme Officer attended the GEF Council Meeting. Background discussions were held regarding GEF work in CEIT countries relating to HCFC and methyl bromide, as well as co-funding of chiller projects through GEF’s climate change programme. The Chief Officer also took the opportunity to discuss Multilateral Fund issues with the UNEP DED who was also attending the GEF Council Meeting.

30. The Chief Officer participated in the Joint Meeting of the South Asia and SEAP Network of ODS Officers, Bangkok, Thailand (22-24 May) where she gave a keynote address, presented the key outcomes of the 47<sup>th</sup> and 48<sup>th</sup> Executive Committee Meetings and took part in the Panel discussion on “Sustainability of ODS phase out: meeting the 2005, 2007 and 2010 control measures”. She also participated in the final day of the 4<sup>th</sup> Joint Customs-Ozone Officers Workshop (17-20 May), funded under Sweden’s bilateral programme, at which she delivered closing remarks highlighting the success of Sweden’s initiative for training customs officials and the importance of this as an effort to combat any illegal trade.



Network meetings

31. The Secretariat was also represented at the Regional Network Meeting for English Speaking Caribbean in St. Vincent and the Grenadines (23-30 April 2006), and the Regional Ozone Network for Europe and Central Asia in Tbilisi, Georgia (10 to 13 April 2006). At these network meetings, Secretariat staff provided information on key decisions of recent Executive Committee meetings and on the new country programme reporting format, participated in the group discussions and had bilateral discussions with network members, as appropriate. A presentation on recent Executive Committee decisions was prepared for the meeting for the Main Meeting of the Ozone Officers Network for French-Speaking Africa in Sao Tome and Principe (2 to 5 May 2006) since the Secretariat was not able to attend on this occasion. The Secretariat also participated in the thematic meeting on ODS disposal and destruction which took place following the network meeting in Tbilisi (14 April 2006).

Missions related to the monitoring and evaluation work programme for the year 2006

32. In the context of the evaluation of cases of non-compliance with the freeze in consumption of CFCs, halons, methyl bromide and methyl chloroform, the Senior Monitoring and Evaluation Officer accompanied by consultants travelled to Nigeria (6–10 May) and Chile (14-17 May) to prepare country case studies on non-compliance.

33. He also participated in the meeting of the European and Central Asia network in Tbilisi, Georgia (10 to 13 April 2006), as well as the main meeting of the South Asia and Southeast Asia Networks of ODS Officers and the Joint Customs-Ozone Officers Workshop (17-20 May 2006 in Bangkok, Thailand). The aim was to gather, jointly with consultants, information on the NOU's experiences with the CAP by way of a questionnaire and interviews, and to present the results of several previous evaluations at the meetings.

Other missions*Skopje, The former Yugoslav Republic of Macedonia (25-26 April 2006)*

34. A Senior Programme Officer represented the Secretariat at the “Final workshop on attained results during the implementation of the project for phasing out methyl bromide in tobacco and horticultural production sector” and at an official ceremony to celebrate the successful implementation of the methyl bromide phase-out project in Macedonia. He conducted technical discussions with major stakeholders on the national phase-out plan and the chiller demonstration project that were currently being implemented.

*Bonn, Germany, (18-24 May 2006)*

35. A Senior Programme Officer represented the Secretariat at the twenty-fourth session of the UNFCCC SBI (see paragraph 22).

*New York, United States of America, 15 June 2006*

36. A Senior Programme Officer represented the Secretariat at the Technical Panel on Forest Quarantine organized by the Food and Agriculture Organization of the United Nations (FAO) to contribute to discussions regarding the revision of the International Standards for Phytosanitary Measures (ISPM) no. 15: Guidelines for regulating wood packaging material in international trade. This provided an opportunity to clarify the status of the Multilateral Fund in respect of providing assistance to Article 5 countries for phasing out methyl bromide in quarantine and pre-shipment uses, including wooden packaging material, by verifying that such uses were currently not controlled by the Montreal Protocol.

### **Secretariat staffing**

37. The appointment of the Project Management Officer to replace Mr. Valery Smirnov was finalized and Ms. Cecilia Mercado took up her appointment on 23 May 2006. The Executive Committee may also wish to note that Mr. Tony Hetherington, Deputy Chief Officer (Technical Cooperation), will be retiring from the Secretariat after 11 years of dedicated service in September 2006.

### **Preparation for the meetings of the Executive Committee**

38. Logistical arrangements were made for the 49th Meeting of the Executive Committee, to be held at the International Civil Aviation Organization (ICAO) from 10 to 14 July 2006. Letters of invitation and meeting documentation were provided to members of the Executive Committee, the President of the Bureau of the 17<sup>th</sup> Meeting of the Parties, the President and Vice President of the Implementation Committee, the UNEP DED/OIC, the Executive Secretary of the Ozone Secretariat, the implementing agencies and NGOs.

### **Preparation for other meetings**

39. The Fund Secretariat provided logistical support to the Ozone Secretariat in organizing the meetings of the 36th Meeting of the Implementation Committee under the Non-Compliance Procedures of the Montreal Protocol, 26<sup>th</sup> Open-Ended Working Group Meeting (OEWG), and the Ozone Secretariat Workshop on the IPCC/TEAP Special Report, to be held in Montreal in late June/early July 2006.

### **Information activities**

40. The report of the 48th Meeting of the Executive Committee in Arabic, English, French and Spanish, a post-meeting summary and a news release were posted on the Multilateral Fund public web site ([www.multilateralfund.org](http://www.multilateralfund.org)). An area containing documents and logistical information on the 49th Meeting was created on the Multilateral Fund intranet. Documents for general distribution were placed on the public web site. Copies of the Multilateral Fund booklet "Creating a real change for the environment" were distributed at a number of meetings attended by Secretariat staff.

41. The Fund Secretariat reviewed and updated the following databases, documents and operational guidelines for the 49th Meeting:

- Inventory of Approved Projects as of April 2006,
- Country Programme Summary Sheets as of December 2005,
- Policies, Procedures, Guidelines and Criteria as of April 2006.
- Project Completion Reports Summary Sheets

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**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**The Multilateral Fund and its Management Structure**

UNFCCC Workshop on the Adaptation Fund  
3-5 May 2006  
Alberta, Canada  
Maria Nolan  
Chief Officer - Multilateral Fund



**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**Purpose and Focus of the Presentation**

*To provide information about the Multilateral Fund and its management structure focusing on the main characteristics of the Fund*

- Country-driven and compliance-driven approach
  - Strategic direction, planning and flexibility
- Fund governance
- Contracting out implementation
- Strong national presence and effective global network
- Accountability
- An open and adaptable system



**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**The Multilateral Fund - established in 1991**

**Objective**

- To assist developing countries to meet their obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer

**Guiding principle**

- Every country should have a similar opportunity to receive funding

**Status (December 2005) – 14 years of effective operation**

- Assistance to 141 developing countries – capacity building in each one
- 82 % of projects have been completed
- US \$1.97 billion of funding disbursed



**Multilateral Fund**  
for the Implementation of the Montreal Protocol

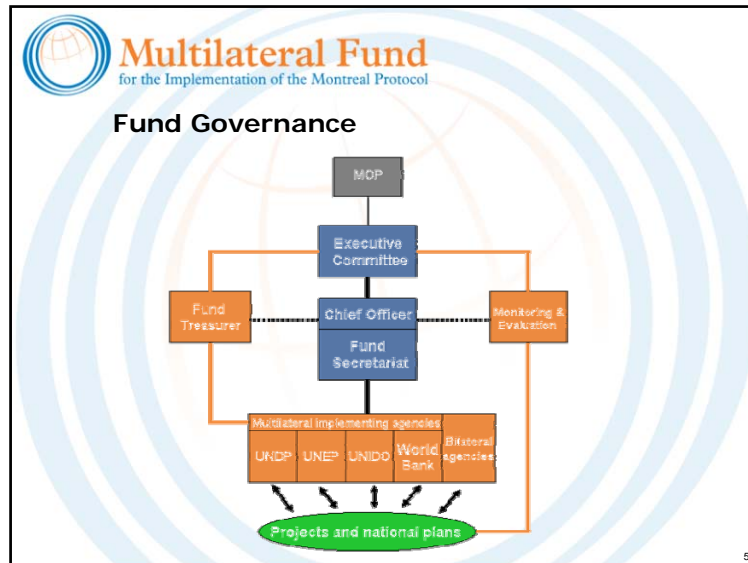
**A Country-driven and Compliance-driven approach**

*Country ownership*

- National Ozone Units supported by Fund
- Country programmes (*national strategies*)
  - Determining needs
  - Strategic assessments
- National plans and other projects
  - Legislation and licensing systems
  - Facilitate compliance through variety of activities

*Facilitated by the Fund through:*

- Rolling three-year business plan
  - Country-by-country status assessment (status vs. compliance requirements)
  - Need assessment in each country (implementation objectives, activities, funding)
  - Basis for funding: Evolving cost bench-marking exercise
- Annual business plans



**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**Fund Governance (i)**

**The Multilateral Fund**

- Established under Article 10 of the Montreal Protocol with a legal personality
- Article 10 of the Protocol encourages contributions from other Parties and is without prejudice to future arrangements that could be developed with respect to other environmental issues

**The Parties to the Montreal Protocol**

- Authorize the indicative list of incremental costs
- Decide on a triennial replenishment of the Fund
- Elect members of the Executive Committee
- Review annually the activities and achievements of the Fund in line with the goals of the Protocol and request additional actions

6

**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**Fund Governance (ii)**

**The Executive Committee**

- Approves operational policies and guidelines
- Endorses a 3-year plan and budget based on the triennial replenishment agreed by the Parties
- Approves national strategies and projects
- Exercises oversight of ongoing projects and programmes

**The Fund Secretariat**

- Independent from implementing agencies
- Reviews all funding requests, performance and implementation reports prior to consideration by the Executive Committee
- Has independence in developing and proposing operational policies, guidelines and recommendations

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**Multilateral Fund**  
for the Implementation of the Montreal Protocol

**Fund Governance (iii)**

**Shared governance**

- 7 members each from developed and developing countries with equal voting rights elected by MOP
  - Ensures that neither developed nor developing countries dominate decision-making
- Allows each member to co-opt more countries from the same region
  - Increased participation results in closer coordination and cooperation
- Annual rotation of Chair and Vice-Chair between developed and developing countries

8

**Multilateral Fund**  
for the Implementation of the Montreal Protocol

### Implementation

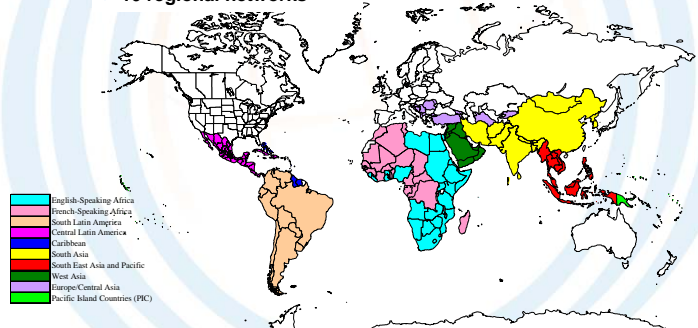
- Contracts out implementation through agreements between the Executive Committee and implementing agencies
- Use of implementing agencies existing global networks for programme development and capacity building
- The Executive Committee provides strategic direction to agencies and approves projects on a national, regional and global basis
- US \$1.97 billion was approved from funding requests totalling US \$3.21 billion
  - The difference of US \$1.26 billion resulted from efficiency gains due to review and continuous monitoring by an independent Secretariat
  - Annual costs of the Secretariat: US \$3.2 million (12 professionals)
  - Annual costs for the 3 Executive Committee meetings: US \$0.8 million
- Requests are approved typically between 8 and 14 weeks after submission of proposal

9

**Multilateral Fund**  
for the Implementation of the Montreal Protocol

### Strong National Presence and Effective Global Network

- 141 National Ozone Units
- 10 regional networks



10

**Multilateral Fund**  
for the Implementation of the Montreal Protocol

### Accountability

Programme impact is monitored and assured through:

- Performance-based funding model
  - Based on verifiable data
  - Independent verification as precondition for release of funding tranches
  - Appropriate allocation of resources
- Monitoring - integrated into regular operations
  - Progress monitoring reacting to delays
  - System of agency performance indicators
- Independent evaluation function
  - Evaluation programme, budget approved by and reports to Executive Committee
  - Completion reporting system with lessons learned
  - Thematic evaluations conducted across all agencies
- External evaluation mandated by the Parties

Financial accountability is achieved through:

- Separate trust fund account, maintained by contracted Treasury
- Return of unused funds from completed projects and activities within 12 months

11

**Multilateral Fund**  
for the Implementation of the Montreal Protocol

### Open and Adaptable Funding Mechanism

- Learning-by-doing
- Set up in 1991 - less than 10 years before first mandatory compliance target (1999)
- Country ownership
- Equity - similar opportunity for all countries to achieve compliance
- Readiness to adapt rapidly to new circumstances through strong policy development capacities
- Responsive to Parties' expressed goals and objectives
- Effective, independent and unbiased

12





**ANNEX II**





**UNITED  
NATIONS**



**Framework Convention  
on Climate Change**

Distr.  
LIMITED

FCCC/SBI/2006/L.18  
25 May 2006

Original: ENGLISH

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**SUBSIDIARY BODY FOR IMPLEMENTATION**

**Twenty-fourth session  
Bonn, 18–26 May 2006**

**Agenda item 6**

**Financial mechanism (Kyoto Protocol): Adaptation Fund**

## **Adaptation Fund**

### **Draft conclusions proposed by the Chair**

1. The Subsidiary Body for Implementation (SBI) took note of the submissions from Parties contained in documents FCCC/SBI/2006/MISC.7 and Add.1 and FCCC/SBI/2006/MISC.11, submissions from intergovernmental organizations contained in document FCCC/SBI/2006/MISC.5, and of the report of the workshop on the Adaptation Fund contained in document FCCC/SBI/2006/10.
2. The SBI made progress in its consideration of the Adaptation Fund, and prepared a compilation document containing possible elements for a draft decision on the Adaptation Fund (see annex), without prejudice to further input by Parties.
3. The SBI invited relevant international institutions, including, among others, those contained in the annex referred to in paragraph 2 above, without prejudice to any institution, to submit to the secretariat, by 4 August 2006, information on issues contained in the annex referred in paragraph 2 above, and taking into account views expressed by Parties, including those contained in documents FCCC/SBI/2006/MISC.7 and Add.1 and FCCC/SBI/2006/MISC.11.
4. The SBI requested the secretariat to compile information submitted by institutions as referred in paragraph 3 above in a miscellaneous document for consideration at its twenty-fifth session (November 2006).
5. The SBI agreed to continue deliberating on this matter at its twenty-fifth session, on the basis of the annex referred in paragraph 2 above and of responses provided by institutions, with a view to finalizing its recommendation on the Adaptation Fund to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session (November 2006).

Annex

**Compilation document containing possible elements for a draft decision on the Adaptation Fund**

*[The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Recalling Article 12, paragraph 8, of the Kyoto Protocol,*

*Recalling decision 28/CMP.1,*

*Recalling decisions 5/CP.7, 10/CP.7 and 17/CP.7,*

*Noting that under the principle of common but differentiated responsibilities which govern the Convention, developed country Parties must “take the lead in modifying longer-term trends in anthropogenic emissions” or mitigation (Article 4, paragraph 2 (a) of the Convention), while the developing country Parties, which are most vulnerable to the adverse effects of climate change, are mainly concerned with adaptation,*

*Noting that the Adaptation Fund is based on Article 12 of the Kyoto Protocol, which defines the clean development mechanism. The clean development mechanism is a means through which developing countries assist developed countries in meeting their emission reduction obligations under the Kyoto Protocol. The Adaptation Fund is the means through which developing countries share the benefits to be derived from clean development mechanism project activities (the certified emission reductions) with other developing countries that have very limited mitigation capabilities and therefore cannot host clean development mechanism projects, but that are most often the same countries that are particularly vulnerable to the adverse effects of climate change,*

*Further noting that the objective of the Adaptation Fund is “to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation” (Article 12, paragraph 8 of the Kyoto Protocol),*

**I. Institutional arrangements to manage the Adaptation Fund**

**A. Possible principles and criteria to be followed by an institution managing the Adaptation Fund**

1. *Decides that the management of the Adaptation Fund shall be guided by the following principles:*

**Overarching principles**

- (a) Have ability to work under the authority of, and be able to adhere to the guidance to be provided by, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (b) Be flexible enough to take account of the adaptation needs of the developing countries that are Parties to the Kyoto Protocol;
- (c) Have a democratic and transparent system of governance, and ensure that, for the administration of the fund, a voting system that allows one vote for one party is in place;

**Country-driven approach**

- (a) Follow a country-driven approach (decision 28/CMP.1);
- (b) Be responsive to the needs and views of developing countries;
- (c) Reflect national and/or regional priorities;

**Accountability**

- (d) Be accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (e) Have separation and independence from the management, procedural arrangements and decision-making process of existing funds under the Convention and the Kyoto Protocol;
- (f) Have separation of accountability and disbursement (separation of quality assurance, implementation and management);
- (g) Have independent monitoring and evaluation function;
- (h) Have independent reviews at regular intervals;

**Transparency**

- (i) Have sound financial management and transparency (decision 28/CMP.1);
- (j) Have transparent reporting on management of the financial resources;
- (k) Have financial management including independent financial audits and minimum international fiduciary standards;

**Fund management**

- (l) Have separation from other funding sources (decision 28/CMP.1);
- (m) Be able to create/set up a separate and independent unit to manage the fund, which can produce operational policies for the projects under the fund;
- (n) Be able to maintain the autonomy of the Adaptation Fund from other funds being administered by the same institution/entity;
- (o) Have autonomy to enable the use of funds in a flexible and fluid manner;
- (p) Serve as a catalyst to leverage additional financing;
- (q) Maximize means of funding from other sources;

**Effectiveness and efficiency**

- (r) Manage effectively and operate expeditiously so that funding is available in a timely manner;
- (s) Have overall flexible, simple, clear streamlined procedures;
- (t) Have low transaction costs and cost-effective management;

- (u) Have low administrative cost for the administration of the Fund and handling of projects;
- (v) Ensure consistency and synergy with activities in related climate change areas;
- (w) Have high standards of professionalism;

**Knowledge and networking capacity**

- (x) Follow a learning-by-doing approach (decision 28/CMP.1);
- (y) Be an existing institutions with an established structure and with proven experience in handling other funds;
- (z) Have established knowledge and experience on how to manage a fund;
- (aa) Have established knowledge and experience of adaptation activities;
- (bb) Have a wider and/or appropriate base/network of organizations, including regional organizations, to serve as implementing agencies with reach at the national level.

**B. Relation of the governing body of the Adaptation Fund with the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

2. **Option 1:** *Reaffirms* that, in accordance with decision 28/CMP.1, the Adaptation Fund shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

**Option 2:** *Decides* that the Adaptation Fund shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and be subject to the authority of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

**C. Membership of the governing body of the Adaptation Fund**

3. **Option 1:** *Decides* that members of the governing body shall be from Parties to the Kyoto Protocol and that the governing body shall have an equal representation of developing and developed country Parties, following a one country-one vote rule

**Option 2:** *Decides* that members of the governing body shall be from Parties to the Kyoto Protocol and that the governing body shall have balanced representation of Annex I and non-Annex I Parties

**Option 3:** *Decides* that members of the governing body shall be from Parties to the Kyoto Protocol and that the governing body shall have a majority of non-Annex I Parties

**Option 4:** *Decides* that members of the governing body shall be from Parties to the Kyoto Protocol and that developing countries shall play the central role in the governance of the Adaptation Fund

*(Note: This option assumes the establishment of a new body or the establishment of a new governance structure within an existing body.)*

**Option 5:** *Decides* that decisions of the governing body shall be taken by consensus. In the case that in the consideration of any matter of substance, all practicable efforts by the body and its Chair

have been made and no consensus appears attainable, any member of the governing body may require a formal vote

*Decides* that the governing body of the Adaptation Fund shall be composed of Parties to the Kyoto Protocol. Participants shall also be accredited to the Council of the Global Environment Facility

*Decides further* that the governing body of the Adaptation Fund shall consist of XX members representing constituency groupings, taking into account the need for balanced representation of all participants. Each participant shall have one vote.

*(Note: This option assumes that the GEF is selected as an institution to manage the Adaptation Fund.)*

**Option 6:** *Decides* that members of the governing body of the Adaptation Fund shall be from Parties to the Kyoto Protocol and that it should be composed of one member from each regional group, one member from the Alliance of Small Island States, two members from Annex I Parties and two members from non-Annex I Parties. There will also be 10 alternate members selected from the same constituencies.

## II. Share of proceeds and other funding

### A. Sources of funding for the Adaptation Fund

4. **Option 1:** *Reaffirms* that the Adaptation Fund shall be financed from a share of proceeds from clean development mechanism project activities and other sources of funding; (decision 28/CMP.1)

**Option 2:** *Reaffirms* that the Adaptation Fund shall be financed from a share of proceeds from clean development mechanism project activities and other sources of funding; (decision 28/CMP.1)

*Reaffirms further* that Annex I Parties that are Parties to the Kyoto Protocol are invited to provide funding to the Adaptation Fund, which will be additional to the share of proceeds of clean development project activities;

**Option 3:** *Decides* that the Adaptation Fund shall be financed from a share of proceeds from clean development mechanism (CDM) project activities and other sources of funding, including voluntary contributions by Parties and contributions by other entities such as foundations and the private sector;

5. *Decides* that the different sources of funding shall be tracked separately.

### B. Monetizing the share of proceeds

*(Note: This section could be discussed / finalized at later stage)*

6. **Option 1:** *Decides* that [the entity operating the Adaptation Fund] [the secretariat servicing the CDM Executive Board and ITL] [Other] shall be responsible for monetizing the certified emission reductions issued for CDM project activities collected to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;

*Decides* that the monetization of certified emission reductions issued for CDM project activities collected to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change, shall be undertaken in such a manner to:

- (a) Maximize revenue for the fund within the specified risk tolerance;
- (b) Ensure predictable revenue flow for the fund;

- (c) Be transparent and cost-effective;

**Option 2:** *Decides* that [on an interim basis] the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation as referred to in Article 12, paragraph 8, of the Kyoto Protocol shall be USD 0.X per certified emission reduction issued in a given calendar year;

*Further decides* to review these arrangements at its (##) session (*date*);

### **III. Modalities for operations**

- 7. *Requests* the entity responsible for the operation of the Adaptation Fund:

#### **Reporting/conduct of business**

- (a) To report on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
- (b) To hold regular consultations with developing countries outside formal processes;

#### **Project cycle**

- (c) To incorporate year-round submission, consideration and approval of adaptation project proposals;
- (d) To use an expedited processing system for [approval of adaptation project proposals] [and] [disbursement of funds];
- (e) To delegate authority to the implementing agencies to commit funds for a project following its own approval procedures while following a central overall approval process;

#### **Financing and disbursement modalities**

- (f) To avoid the use of the incremental cost concept;
- (g) To not have operational procedures that impose conditionalities on project approvals, such as co-financing;
- (h) To provide full-cost funding to eligible Parties to meet the additional costs of activities to adapt to the adverse effects of climate change;
- (i) To develop a co-financing scale for supporting activities identified by eligible Parties, taking into account their national circumstances;
- (j) To arrange that activities, identified by eligible Parties, that are not supported through full-cost funding as described in paragraph (h) above, will be co-financed through the scale referred to in paragraph (i) above;
- (k) To use a sliding scale to simplify calculation of fully funded additional costs of adaptation;
- (l) To ensure adequate geographic representation in access to Adaptation Fund resources;



## Monitoring and evaluation

- (m) To have an independent monitoring and evaluation unit and ensure that its implementing agencies monitor and evaluate the adaptation projects they implement;
- (n) To be subject to independent reviews every (###) years;

## IV. Eligibility criteria

*(Note: This section could be discussed / finalized at later stage)*

8. **Option 1:** *Decides* that developing country Parties to the Kyoto Protocol, especially those that are particularly vulnerable to the adverse effects of climate change, are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change.

**Option 2:** *Decides* that developing country Parties to the Kyoto Protocol, especially those that are particularly vulnerable to the adverse effects of climate change, are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change.

*Decides further* that priority shall be given to and a special window of funding created for:

- (a) Low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems;
- (b) Low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas, forested areas, and areas liable to forest decay, areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems;
- (c) Small island developing states;
- (d) Least developed country Parties;
- (e) Developing country Parties with projected higher risks in the near future, in particular those which do not already have a specific fund of their own;
- (f) Developing country Parties and regions where available information indicates that the impacts of climate change are likely to be severe;
- (g) Developing country Parties and regions prone to extreme weather events;

**Option 3:** *Decides* that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are eligible for funding from the Adaptation Fund to meet the costs of adapting to climate change;

## V. Priority areas

### A. Priority project activities

9. **Option 1:** *Decides* that the Adaptation Fund shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol.

10. **Option 2:** *Decides* that the Adaptation Fund shall finance concrete adaptation projects and programmes in developing country Parties that are Parties to the Kyoto Protocol. Concrete adaptation projects and programmes shall...

**Option 2(a)** ...be stage III activities (Measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and 4.4);

**Option 2(b)** ...be stage II (Measures, including further capacity-building, which may be taken to prepare for adaptation, as envisaged by Article 4.1(e)) and III activities (Measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and 4.4);

**Option 2(c)** ... have a maximum of 15 per cent of the budget for technical assistance and the majority of the budget for “actions in the field”;

**Option 2(d):** ...implement adaptation measures, actions, and interventions on the ground to address the adverse impacts of climate change.

### B. Priority sectors

11. **Option 1:** *Decides* that the Adaptation Fund shall finance activities identified in decision 5/CP.7, paragraph 8.

**Option 2:** *Decides* that the Adaptation Fund shall finance activities identified in decision 5/CP.7, paragraph 8....

**Option 2 (a):** ...as well as areas identified as priorities by relevant decisions, such as 1/CP.10 and 2/CP.11.

**Option 2 (b):** ...as well as:

- (a) Forestry
- (b) Sustainable livelihoods
  - Integrate adaptation into policy processes and planning frameworks for decision-making which require development of tools, methods, modelling for local level and technology for adaptation
  - Increase public awareness of the potential impacts of climate change and possible adaptation options and strategies, to enable decision-making at the individual and community levels
  - Capacity-building:
    - Disaster-proof communication systems
    - Awareness and training exercises
    - Preparedness for desertification and support for rain enhancement and water harvesting activities under capacity-building in the areas of preparedness and management of disasters relating to climate change
    - Sensitize policymakers to the impacts their decision-making may have on adaptive capacity
  - Explore the augmentation of insurance schemes for particularly vulnerable sectors such as subsistence agriculture
  - Economic diversification as a sub-theme of the five-year programme of work on impacts, vulnerability and adaptation to climate change:

- Promote understanding and development and dissemination of measures, methodologies and tools for economic diversification aimed at increasing economic resilience and reducing reliance on vulnerable economic sectors, especially for relevant categories of countries listed in Article 4, paragraph 8, of the Convention
- Improve quality of models, in particular those that assess the adverse impacts on social and economic development as consequence of the responses to climate change, taking into full account the legitimate priority needs of developing countries with specific emphasis on countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption, of fossil fuels and associated energy-intensive products

### C. Identification of possible priority project activities

12. *Decides* that priority project activities shall be identified:

- (a) As priorities, inter alia, in national adaptation programmes of action (NAPAs), national communications, national sustainable development strategies, poverty reduction strategies and other relevant national plans;
- (b) As thematic priority areas with links to development goals;
- (c) As being of critical importance to human survival, and economic sustainability;
- (d) As priorities for addressing specific problems, local capacity-building, technology transfer and the promotion of indigenous technological applications;
- (e) As not stand alone projects;
- (f) As bringing multiple benefits;
- (g) As good examples for adaptation;

### D. Complementarities of fund activities

13. *Decides* that the Adaptation Fund shall be complementary to and not duplicate other funds and assistance, in particular funding priorities and allocation of the special climate change fund and the least developed countries fund.

## VI. Institution to manage the Adaptation Fund

14. **Option 1:** *Decides that* the following entity shall operate the adaptation fund:

**Option 1 (a):** The Global Environmental Facility (GEF) following the principles and operational modalities as contained in this decision.

**Option 1 (b):** The Multilateral Fund of the Montreal Protocol following the principles and operational modalities as contained in this decision.

**Option 1 (c):** United Nations Development Programme (UNDP) following the principles and operational modalities as contained in this decision.

**Option 1 (d):** United Nations Environment Programme (UNEP) following the principles and operational modalities as contained in this decision.

**Option 1 (e):** The Executive Board of the clean development mechanism following the principles and operational modalities as contained in this decision.

**Option 2:** *Establishes* a new committee/body under the direct supervision of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and elected by COP/MOP, to manage/operate the Adaptation Fund, and designates:

[GEF][UNDP][UNEP][Multilateral Fund of the Montreal Protocol][World Bank][Other] to host the secretariat of the Adaptation Fund

[GEF][UNDP][UNEP][Multilateral Fund of the Montreal Protocol][World Bank][Other] to act as the trustee of the Adaptation Fund

[GEF][UNDP][UNEP][Multilateral Fund of the Montreal Protocol][World Bank][Other] to act as implementing agency(ies) of the Adaptation Fund.]

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