**MULTILATERAL FUND**

**FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL**

# Post Meeting Summary of Decisions of the 51st Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

## Introduction

The 51st Meeting of the Executive Committee, which took place in Montreal from 19 to 23 March 2007, was attended by the representatives of the 14 Executive Committee member Parties and by participants co-opted from 21 other countries (see attached list). Mr. Philippe Chemouny of Canada presided over his first meeting as Chair of the Executive Committee. The President and Vice-President of the Implementation Committee of the Montreal Protocol, three representatives of the Ozone Secretariat, representatives of the implementing agencies and representatives of the Alliance for Responsible Atmospheric Policy and Environmental Investigation Agency (EIA) also attended the meeting.

The Executive Committee followed its standard programme of work for the first meeting of the year which included the consideration of business plans, evaluation reports and the implementing agencies' work programmes. Business planning, the process of allocating financial resources to Article 5 countries according to their compliance needs, was especially important since the 2010 targets for CFC phase-out were only three years away. A number of other issues were addressed including the progress and finalisation of contracting a consultant for the study on the treatment of unwanted ozone depleting substances (ODS) and the terms of reference for a study on administrative costs of implementing agencies beyond 2008.

At the 51st Meeting, the Executive Committee approved investment projects and work programme activities with a value of almost US $50.7 million, plus US $3.9 million in support costs for implementing agencies, and took a total of 39 decisions. The most significant decisions and discussions are outlined below.

## Status of contributions and disbursements (decision 51/2)

The Executive Committee reviewed information on the Fund's balance, income and contributions, and aggregate information on the status for the triennium, including data on gains and losses of the fixed-exchange rate mechanism (FERM) and addressed issues relating to the timely payment of contributions by Parties and the liquidity of resources. In addition to the standard information in the report on the status of contributions, the Executive

Committee also considered the encashment schedule for the existing promissory notes, a new feature of the report of the Treasurer that had been included in response to concerns about the rate of encashment of promissory notes.

The Executive Committee was concerned that only 9.87% of the total amount of contributions pledged for 2007 had been paid by the time of the 51st Meeting and therefore urged contributing Parties to pay their contributions to the Multilateral Fund in full as early as possible. At the time of the 51st Meeting, the Fund balance stood at US $57,516,295, which was adequate to cover the new commitments entered by the Executive Committee at the meeting.

**Review of Promissory notes policy (decision 51/3)**

The Executive Committee reviewed the Multilateral Fund's policies regarding the use of promissory notes in making contributions, and requested Parties continuing to use promissory notes to do their utmost to meet the Treasurer's request for their accelerated encashment in order to mitigate cash flow problems. The Committee also encouraged Parties, in the context of the 2009-2011 replenishment, to make their contributions in the form of cash in order not to delay project implementation by implementing agencies.

**2007-2009 Business Plans (decisions 51/5 - 51/10)**

The Executive Committee endorsed the 2007-2009 business plans for its four multilateral agencies (UNDP, UNEP, UNIDO and the World Bank) and a number of bilateral agencies to address the compliance needs for achieving the 2010 control measures. The Committee urged bilateral and implementing agencies to increase their efforts to implement approved projects to facilitate achieving the 2007 reduction in controlled substances. 35,945 ODP tonnes of these substances were scheduled to be phased out in 2007 from approved projects.

The Executive Committee also established a number of specific priorities to allocate the US $61 million in addition to the activities which were required by the three-year phase-out plan for compliance. These priorities would include support to any new Parties to the Montreal Protocol including strengthening of institutional capacity to implement the Protocol's control measures, on a case by case basis. Another priority would be accelerating the elimination of CFC production, and in this regard the World Bank was requested to investigate the possibilities of advanced CFC and CTC production closure and to report back to the Executive Committee on any issues it encountered.

Other priorities that would be considered on a case by case basis included combating illegal trade in ODS, halon phase-out not required by the model three year rolling phase-out plan, accelerated methyl bromide (MB) phase-out, MB non-investment projects, and phase-out of CFCs in metered-dose inhalers.

## Programme Implementation

### *Monitoring and Evaluation*

Final report on the evaluation of CTC phase-out projects and agreements (decision 51/11)

The Executive Committee considered the final report on the evaluation of CTC phase-out projects and agreements, which showed that all but eight Article 5 countries had met the 2005 target to reduce CTC consumption by 85 per cent. The evaluation study found that the main risk to sustaining phase-out lay in the fact that, unlike other controlled substances produced for specific uses, CTC was also generated as a by-product and therefore would be available even after phasing-out CTC production for controlled uses. The successful achievement of the Protocol's control measures would therefore depend on controlling and eventually eliminating the demand for CTC in controlled uses, as well as further development of outlets for feedstock uses in manufacturing non-ODS products. Any opportunities to sell co-produced CTC for process agent or solvent uses might bring higher returns than CTC destruction, with an ensuing risk of CTC being placed on the market without licenses. CTC at a low price could result in a risk of illegal use, and thus ongoing monitoring systems would be vital.

In addition to addressing some particular issues related to CTC production and consumption in China and India, the Executive Committee requested implementing agencies to update their information materials on alternatives to CTC especially in the solvent sector, avoiding as much as possible the use of trade names and of potentially carcinogenic solvents. UNEP was requested to organize discussions in regional network meetings about the possibility of voluntary agreements between CTC exporting and importing countries under which CTC exporting enterprises, prior to shipment, would have to request certificates from their importing clients to verify imports for feedstock use or under a valid import license obtained through the importing country's quota system. The Executive Committee also decided to take into account, in future deliberations on the funding of institutional strengthening projects, the need to maintain monitoring and verification of all CTC production and consumption beyond 2010. The final report on the evaluation of CTC phase-out projects and agreements would be forwarded to the Technology and Economic Assessment Panel (TEAP) so that it could be taken into account in their further discussions on process agents.

Desk study on the evaluation of management and monitoring of national phase-out plans (decision 51/12)

The Executive Committee noted the desk study on the evaluation of management and monitoring of national ODS phase-out plans, which contained information on the proposed evaluation issues and work plan for the second phase of the evaluation study. The objective of the study was to complement the evaluation of refrigerant management plans and national phase-out plans in non low-volume consuming countries presented at the 48th Meeting of the Executive Committee. That study focused primarily on the refrigeration sector and was not able to analyze in depth the management, monitoring and verification aspects of national phase-out plans.

One policy issue addressed was the flexibility clause as it applied to the disbursement of funds under national phase-out plans to enterprises established after the cut-off date of July 1995. Flexibility in the use of funds has been a key provision of national phase-out plans in Article 5 countries (decision 38/65). Decision 46/37 elaborates the conditions applicable to agreements for the exercising of such flexibility in the use of funds by defining major and minor changes to endorsed annual implementation plans. The Executive Committee requested that implementing agencies seek authorization from the Executive Committee prior to using this flexibility to allow funds to be directed to enterprises established after July 1995 in cases where countries had committed to the total phase-out of the ODS concerned. It also requested bilateral and implementing agencies to report as part of their regular periodic reporting under multi-year-agreements whether they had used the flexibility clause for this purpose.

***Issues related to monitoring and reporting on multi-year agreements (decision 51/13)***

The Executive Committee agreed on new procedures for monitoring and tracking difficulties in the implementation of multi-year agreements (MYAs). Project proposals presented to the Executive Committee (pre-session documents) would contain a cover-sheet in an interim format that would present a standard overview of data on MYAs and allow the Committee to track cumulative progress achieved in the annual work programmes. The Executive Committee also approved new procedures for monitoring implementation difficulties in MYAs which were defined as activities for which no progress was detected in the context of the review of annual implementation plans. Any status reports on MYAs with implementation difficulties required by the Executive Committee would be presented in the format of projects with implementation delays and would be considered by the Executive Committee in the context of that agenda item.

***Project implementation delays (decision 51/14)***

Of the 66 projects listed with implementation delays at the 51st Meeting, the Executive Committee noted that 19 had been completed. Letters of possible cancellation would be sent to two countries concerning project implementation delays. The Executive Committee also made specific requests to a number of Governments suggesting ways to move projects forward in order to effect the timely implementation of these projects.

***Annual tranche submission delays (decision 51/15)***

The Executive Committee reviewed all annual tranches of MYAs due for submission to the 51st Meeting noting that 16 of the 38 annual tranches had not been submitted on time. Letters regarding tranches not submitted to the 51st Meeting would be sent to eleven countries encouraging them to submit these to the 52nd Meeting.

***Report on implementation of approved projects with specific reporting requirements (decision 51/16)***

At its 51st Meeting the Executive Committee considered progress reports on the implementation of: the national CFC phase-out plans of Afghanistan and Cuba; the refrigerant management plans (RMP) in Burkina Faso, Brunei Darussalam, Haiti and Myanmar: methyl bromide phase-out projects in Bolivia, Cuba, Kyrgyzstan, Sri Lanka; the technical assistance programme for Africa (UNDP); and the China halon sector plan and the China sector plan for TCA production phase-out.

The Executive Committee took note of the reports submitted and made a number of requests for individual governments, in collaboration with the relevant implementing agencies, to take action on issues raised. In the case of the TCA production phase-out project in China, the Committee commended the Government and the World Bank on achieving the production reduction targets as specified in the agreement.

**Project approvals (decisions 51/17 – 51/33)**

The Secretariat had received funding requests with a total value of some US $61.8 million. 49 projects and activities for 32 developing countries were approved at a cost of US $50.7 million plus US $3.9 million in support costs for implementing agencies. These projects and activities would fund the phase-out of over 3,719 ODP tonnes of ODS consumption and 16,695 ODP tonnes of production. Projects approved by the Executive Committee included US $24 million for China to dismantle the remaining CFC production plants thus ending production of CFCs more than two years ahead of the 2010 CFC phase-out deadlines, extensions to institutional strengthening projects in nine countries, and several tranches for multi-year agreements. A total of US $2 million in funding was agreed in principle for terminal phase-out plans in Bolivia, the Seychelles, Paraguay and Zimbabwe.

**Metered-dose Inhalers (decision 51/34)**

At its 51st Meeting, the Executive Committee considered the specific circumstances of some Article 5 Parties with plants manufacturing CFC metered-dose inhalers (MDIs), but which had committed to phasing-out all the remaining CFC consumption in their country without further requests for funding. The discussion also covered strategies for the transition to non-CFC MDIs in Article 5 countries without CFC-MDI production facilities.

In regard to providing assistance for CFC phase-out for Parties with locally owned MDI manufacturing facilities, the Committee considered the following main issues: the cut-off date for the establishment of CFC-MDI production lines, the base year for establishing the consumption of CFCs for this application, funding eligibility, the time scale for payment of operating costs and the availability of pharmaceutical-grade CFCs. During the discussion, several Members recognized the potential difficulties faced by several Parties in phasing out their consumption of CFCs for the production of MDIs. However, it was also noted that several of the Article 5 countries in question had undertaken to phase-out all of their CFC consumption under approved phase-out plans, and thus assistance for such countries should be examined on a case-by-case basis and be subject to several conditions. On the issue of the cut-off date for the establishment of CFC-MDI production lines, some members pointed out that developing countries had not had access to CFC phase-out technology for the MDI sector before 1995. On the issue of transition strategies, it was tentatively suggested that the conditions for funding transition strategies could be extended to all eligible non CFC-MDI producing Article 5 Parties on the condition that they provided basic data documenting and demonstrating the need for such a strategy, as indicated in decision 45/54 on preparation and submission of TPMPs.

The Executive Committee decided to advise Article 5 countries with plants manufacturing CFC MDIs that the planning for any essential use exemption nominations might begin in 2007 for submission to the Parties to the Montreal Protocol for their consideration in 2008. The Committee decided that it would need to consider further the availability of pharmaceutical grade CFCs after 2010 in light of TEAP reports to the 27th Meeting of the OEWG and the 19$^{th}$ MOP on campaign production of CFCs for MDIs in Article 5 and non-Article 5 Parties.

**Terms of reference for the study on the treatment of unwanted ODS**

At the 50$^{th}$ Meeting the Executive Committee requested the Secretariat to develop terms of reference, to identify a contractor, and to commission the study by the end of March 2007 in order to complete it by February 2008. The study would look at the management of unwanted ODS in non-Article 5 countries and how this might be applicable in Article 5 countries. The Committee noted the progress made in contracting a consultant to carry out the study and the detailed terms of reference. The outline of the study and a work plan would be available before the 52nd Meeting of the Executive Committee, and would form the basis of the report to the 19$^{th}$ MOP to the Montreal Protocol.

**Report of the Executive Committee to the Open-ended Working Group on the progress made in reducing emissions of controlled substances from process agent uses (decision 51/35)**

The Executive Committee examined an update to the report presented at their 45$^{th}$ Meeting on process agent uses and their related emission levels in Article 5 countries. This report had been prepared in response to decision XVII/6 of the 17th MOP which requested the TEAP and the Executive Committee to report to the OEWG at its 27th Meeting in 2007. The update presented the projects and activities which had been funded by the Multilateral Fund since the 45$^{th}$ Meeting and the progress, where known, that had been achieved by the projects funded, in reducing emissions from the applications controlled by the Montreal Protocol. A final report, including additional information regarding differences between country programme data and Article 7 data and relevant information from the Chemical Technical Options Committee, would be submitted to the 27$^{th}$ OEWG in June 2007.

**Consideration of the issue of CTC use as feedstock and process agents, and the co-production of CTC in Article 5 countries (decision 51/36)**

At its 48th Meeting, the Executive Committee decided to consider the issue of CTC use as feedstock and process agents and the co-production of CTC in Article 5 countries at its 51st Meeting (decision 48/27). Consideration of this issue was deferred until the 52nd Meeting when the study of the TEAP on global CTC emissions would be available.

**Assessment of the administrative costs required for the 2009-2011 triennium (decision 51/38)**

The Executive Committee adopted draft terms of reference for a comprehensive independent assessment of the administrative costs required for the 2009-2011 triennium. Core unit costs and agency fees constitute administrative costs and are intended to provide implementing agencies with funds for administrative tasks, personnel, and other general administrative services associated with projects implementation. The Fund Secretariat would present the costs, based on bids received from qualified consultants, to the Executive Committee at its 52nd Meeting.

**Secretariat budget (decision 51/39)**

At the 50th Meeting the Executive Committee had approved the budget of the Fund Secretariat, including the amount of US $500,000 for the 2007 treasury fee, while withholding US $200,000 of that total sum until the issue of the P5 treasury position was resolved (decision 50/45). As a result of successful discussions with UNEP, the amount of US $200,000 was released. On the issue of the P5 post to deliver treasury services to the Multilateral Fund, the Committee agreed to the upgrade of the post of the Administrative and Fund Management Officer to P5. It also revised the Secretariat's budget to reflect both the upgrade of the post from P4 to P5 and the cost estimate of the study on administrative costs.

**52nd and 53rd Meetings of the Executive Committee**

It was confirmed that the Executive Committee's 52nd and 53rd Meetings would be held in Montreal from 23 to 27 July 2007 and from 26 to 30 November 2007, respectively.

**Report of the 51st Meeting**

A complete record of all decisions made at the 51st Meeting, including those covered in this document, can be found in the 'Report of the Fifty-first Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/51/46) on the Multilateral Fund's website (www.multilateralfund.org). The report is available in Arabic, Chinese, English, French, and Spanish.

**Annex I - Attendance at the 51st Meeting of the Executive Committee**

| **Executive Committee Members** | **Co-opted countries** |
|---|---|
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| **Non Article 5** | |
| Belgium | |
| Canada (Chair) | Australia |
| Czech Republic | |
| Italy | France and Germany |
| Japan | |
| Sweden | Austria and Finland |
| United States of America | |
| | |
| **Article 5** | |
| China | Bangladesh, India, Malaysia and Thailand |
| Guinea (Vice Chair) | Gabon and Morocco |
| Jordan | Syria and Yemen |
| Mexico | Cuba and Dominican Republic |
| Saint Lucia | Saint Vincent and the Grenadines and Suriname |
| Sudan | Namibia |
| Uruguay | Argentina, Bolivia and Brazil |