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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-third Meeting
Montreal, 26-30 November 2007

**REPORT OF THE FIFTY-THIRD MEETING OF THE
EXECUTIVE COMMITTEE**

Introduction

1. The 53rd Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol was held at the headquarters of the International Civil Aviation Organization (ICAO) in Montreal from 26 to 30 November 2007.
2. The Meeting was attended by representatives of the following countries, members of the Executive Committee, in accordance with decision XVIII/2 of the Eighteenth Meeting of the Parties to the Montreal Protocol:
 - (a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Belgium, Canada (Chair), the Czech Republic, Italy, Japan, Sweden and the United States of America;
 - (b) Parties operating under paragraph 1 of Article 5 of the Protocol: China, Guinea (Vice-Chair), Jordan, Mexico, Saint Lucia, Sudan and Uruguay.
3. In accordance with the decisions taken by the Executive Committee at its Second and Eighth Meetings, representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) both as implementing agency and as Treasurer of the Fund, the United Nations Industrial Development Organization (UNIDO) and the World Bank attended the Meeting as observers.
4. A representative of Romania also attended as an observer.

5. The Meeting was attended by the Vice-President and Rapporteur of the Implementation Committee. The Co-Chair of the Technical and Economic Assessment Panel (TEAP) also attended. The Deputy Executive Secretary of the Ozone Secretariat was present.

AGENDA ITEM 1: OPENING OF THE MEETING

6. The Meeting was opened at 10.00 a.m. on Monday, 26 November 2007, by the Chair, Mr. Philippe Chemouny, who welcomed the participants to Montreal.

7. He recalled that the present Meeting was the first opportunity for the Executive Committee to consider important issues arising from the Nineteenth Meeting of the Parties. A major challenge would be the development of guidelines to ensure the achievement of the accelerated HCFC phase-out schedule agreed on at that meeting. The Chair drew the Committee's attention to the document on 2007 business plans and the overview of issues related to project review, both of which referred to proposals for hydrochlorofluorocarbons (HCFC) surveys that had been submitted by some agencies. It was important to consider those proposals in the light of earlier decisions thereon by the Executive Committee and in relation to the discussions on possible policies and guidelines for HCFC projects.

8. He said that the Executive Committee would have to turn its attention to the development of incremental costs relating to HCFC phase-out. The work would no doubt be complex, contentious and difficult, but it would also be interesting and stimulating, requiring the creativity and cooperation of all members of the Executive Committee. The documents produced by the Secretariat provided a solid base for the discussions.

9. The Executive Committee would also be looking at projects that aimed to ensure compliance with the 2010 deadline for the total phase-out of chlorofluorocarbons (CFCs), and in doing so was asked to maintain a balance between quality and sustainability beyond 2010. The Chair pointed out that a particularly large number of projects submitted for approval were important for meeting CFC compliance targets. The majority were listed for blanket approval, but a considerable number had raised issues that necessitated their consideration on a case-by-case basis. In addition, the Committee was to consider a policy paper that provided a sound base for considering the provision of institutional strengthening support to countries as they approached the total phase-out deadline for CFCs.

10. In relation to the review of the status of compliance of Article 5 countries, the Chair indicated that there had been an increase in the amount of country programme implementation data submitted to the present Meeting compared with the 52nd Meeting. He also explained that a new section had been added to the review document containing a proposal by the Secretariat to assess countries at risk of non-compliance using analysis of projects with implementation delays.

11. With respect to the draft monitoring and evaluation work programme for 2008, the Committee would be required to provide guidance to the Senior Monitoring and Evaluation Officer on the priorities for evaluation studies that might be undertaken in 2008.

12. The Chair said that at the present Meeting, which would be his last in the position of Chair, he would do his best to help the Committee in its deliberations regarding the development of a policy framework for financing HCFC phase-out, with a view to ensuring that Article 5

countries could meet their HCFC obligations and that the Multilateral Fund remained a model of multilateral cooperation for years to come.

AGENDA ITEM 2: ORGANIZATIONAL MATTERS

(a) Adoption of the agenda

13. The Executive Committee adopted the following agenda on the basis of the provisional agenda contained in document UNEP/OzL.Pro/ExCom/53/1 and as orally amended:

1. Opening of the meeting.
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work.
3. Secretariat activities.
4. Status of contributions and disbursements.
5. Status of resources and planning:
 - (a) Report on balances and availability of resources;
 - (b) 2007 business plans;
 - (c) Status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol;
 - (d) Model rolling three-year phase-out plan: 2008-2010 (follow-up to decision 50/5 (d)).
6. Programme implementation:
 - (a) Monitoring and evaluation:
 - (i) Extended desk study on low volume methyl bromide projects;
 - (ii) 2007 consolidated project completion report;
 - (iii) Draft monitoring and evaluation work programme for the year 2008;
 - (iv) Review of the new format for reporting on multi-year agreements, including terminal phase-out management plans (follow-up to decision 51/13).
 - (b) Project implementation delays;

- (c) Annual tranche submission delays;
 - (d) Report on implementation of approved projects with specific reporting requirements.
7. Project proposals:
- (a) Overview of issues identified during project review;
 - (b) Bilateral cooperation;
 - (c) Amendments to work programmes for 2007:
 - (i) UNDP;
 - (ii) UNEP;
 - (iii) UNIDO;
 - (d) Compliance Assistance Programme (CAP) budget and work programme for UNEP for the year 2008;
 - (e) 2008 core unit costs for UNDP, UNIDO and the World Bank;
 - (f) Investment projects.
8. Country programmes.
9. Options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities (follow-up to decision 52/4).
10. Paper on concerns relating to the slow rate of project completion and options to address the issue (follow-up to decision 52/8 (c)).
11. Paper on options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process (follow-up to decisions 47/49 and 49/32).
12. Report on the operation of the Executive Committee (follow-up to decision 50/41).
13. Accounts of the Multilateral Fund:
- (a) Final 2006 accounts;
 - (b) Reconciliation of the 2006 accounts.
14. Revised 2008, 2009 and proposed 2010 budgets of the Fund Secretariat.
15. Other matters.

16. Adoption of the report.

17. Closure of the Meeting.

(b) Organization of work

14. The Executive Committee agreed to follow its customary procedures.

15. The Chair recalled that, pursuant to decision 51/13, a workshop for implementing agencies and other interested Executive Committee Members would be held in the margins of the present Meeting to discuss reporting on multi-year agreements (MYAs) in the light of the experience gained in using the new standardized format.

AGENDA ITEM 3: SECRETARIAT ACTIVITIES

16. The Chief Officer drew the Meeting's attention to document UNEP/OzL.Pro/ExCom/53/2, which described the activities of the Secretariat since the 52nd Meeting. In addition to the usual intersessional activities, the Secretariat had revised and updated the progress report on the study on the treatment of unwanted ODS and the draft report of the Executive Committee to the Nineteenth Meeting of the Parties further to decisions 52/43 and 52/46, respectively. Following their clearance by the Chair of the Executive Committee, both documents had been forwarded to the Ozone Secretariat for circulation to the Parties for their Nineteenth Meeting in September 2007. As requested in decision 52/47, the Secretariat had circulated the draft agreement for the accelerated phase-out plan for CFC production in Argentina to Members of the Committee under the intersessional procedure. However, as the agreement had not been approved during that process, the project had been included in the agenda for the present Meeting under agenda item 7.

17. The Chief Officer advised that the Secretariat had prepared over 60 documents for the Meeting, covering projects in 36 countries. The level of submissions for funding had amounted to nearly US \$107.5 million, but after review by the Secretariat the amount was around US \$81.3 million as some projects had either been withdrawn or reduced in cost in agreement with the implementing agency and the government of the recipient country.

18. The Chief Officer said that the documents included policy papers of particular importance, namely, an analysis of policies and potential incremental costs for HCFC production and consumption phase-out activities further to decision 52/4; possible funding arrangements for institutional strengthening support after 2010, as requested in decisions 47/49 and 49/32; and , in line with decisions 50/41 and XIX/11 of the Nineteenth Meeting of the Parties, a paper on the operation of the Executive Committee in respect of the number of annual meetings. That also took into account potential work related to decision XIX/6 of the Nineteenth Meeting of the Parties on accelerated HCFC phase-out.

19. The Chief Officer advised that the Secretariat had received two requests over the reporting period from other multilateral environmental agreement (MEA) secretariats. The first was a request from the Secretariat of the Rotterdam Convention on the prior informed consent procedure for information on the use of different currencies and methodologies for paying

contributions to trust funds to enable it to respond to decision 3/7 of the Parties to that Convention. The Fund Secretariat had responded on 20 November 2007 providing relevant information on the modalities used under the Multilateral Fund. The second consisted of an invitation from the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat to attend the meetings of the Climate Change Convention and the Kyoto Protocol in Bali in December 2007 as an observer. The Chief Officer hoped to attend part of the meeting to follow the discussions on the clean development mechanism (CDM) as they related to the production of HCFC-22. An invitation had also been received from the Government of Indonesia to send information material on the Multilateral Fund for an exhibition and side event on inter-linkages between ozone and climate to be held during the UNFCCC meetings. The Secretariat had provided copies of the brochure and video on the Fund that had been prepared for the 20th anniversary of the Montreal Protocol in 2007. The Chief Officer and various professional staff had attended a number of meetings during the period under review, as set out in document UNEP/OzL.Pro/ExCom/53/2.

20. In closing, the Chief Officer announced that, following decision 51/53 on the establishment of a P-5 position under the agreement with UNEP for the provision of Treasury services, and as a result of the recruitment process carried out under the United Nations Galaxy system, the Fund Secretariat's Fund Management and Administrative Officer, Ms. Bouthena Bendahmane, had been appointed to fulfil the P-5 function from 1 November 2007. She also welcomed back Ms. Martha Leyva, who had returned to the Secretariat after a two-year posting to the Ozone Secretariat in Nairobi.

21. In the discussion that followed, one Member stressed the importance of the theme of future control of HCFCs and the guidelines from the Nineteenth Meeting of the Parties. Members welcomed the participation by the Secretariat in the Bali meeting and its representation through the side event. Following the discussion, the Executive Committee took note with appreciation of the report on Secretariat activities.

AGENDA ITEM 4: STATUS OF CONTRIBUTIONS AND DISBURSEMENTS

22. The Treasurer introduced the report on the status of the Multilateral Fund (UNEP/OzL.Pro/ExCom/53/3) as at 22 October 2007. He said that since the 52nd Meeting the fixed-exchange-rate mechanism had resulted in additional gains of US \$2,336,767, making the total US \$29,338,114 to date. He also advised that the Fund had received cash contributions from eight countries and two promissory notes had been encashed.

23. The Treasurer then provided an update on the changes that had occurred since 22 October 2007. Promissory notes worth US \$4,579,700 had been encashed and since the 52nd Meeting the stock of promissory notes had decreased from US \$37,734,395 to US \$31,459,790. The total income to the Fund including the cash payments, promissory notes, bilateral cooperation, interest income and miscellaneous income amounted to US \$2,334,964,959.

24. As at 26 November 2007, the balance available for new allocations at the 53rd Meeting was US \$102,114,781, consisting of US \$70,654,991 in cash and US \$31,459,790 in promissory notes, the encashment dates of which were spread over the years 2008, 2009 and 2010 at the

amounts of US \$14,671,071, US \$11,964,146 and US \$4,824,573, respectively. In concluding his presentation, the Treasurer said that the annual details for the period 2003 to 2007, as well as other summarized information including that on promissory notes, were contained in the tables annexed to document UNEP/OzL.Pro/ExCom/53/3.

25. Several Members expressed concern at the number of Parties whose contributions remained in arrears and at the length of time that those arrears had continued to exist. Although one Member noted that the Multilateral Fund had a 93 per cent rate of contributions received against pledged amounts, others felt that stronger action was required, especially considering the approaching 2010 date for complete CFC phase-out. It was suggested that the Chair of the Executive Committee include a section on the subject of arrears in contributions in his report to the Meeting of the Parties.

26. Following a discussion, the Executive Committee decided:

- (a) To note the report of the Treasurer on the status of contributions and disbursements and the information on promissory notes as contained in Annex I to the present report; and
- (b) To urge all Parties to pay their contributions to the Multilateral Fund in full and as early as possible.

(Decision 53/1)

AGENDA ITEM 5: STATUS OF RESOURCES AND PLANNING

(a) Report on balances and availability of resources

27. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/4, which contained a summary of the financial adjustments indicated by the implementing agencies and agreed to by the Fund Secretariat. The document included statistical data from projects with balances held over 12 months past the projects' due date of completion, as required by decision 28/7 of the Executive Committee. He said that Members might wish to note that US \$67,542 was being returned by the multilateral implementing agencies to the 53rd Meeting and that the agencies held balances totalling US \$9,576,651, excluding support costs, from projects completed over two years previously. He also advised that the total amount of funds available for approvals at the 53rd Meeting amounted to US \$102,182,323.

28. The Executive Committee decided to note:

- (a) The report on balances and availability of resources contained in document UNEP/OzL.Pro/ExCom/53/4;
- (b) The net level of funds being returned by the multilateral implementing agencies to the 53rd Meeting amounting to US \$60,211 against project balances, including the return of US \$28,509 by UNDP; US \$22,708 by UNEP and US \$8,994 by UNIDO;

- (c) The net level of support costs being returned by the multilateral implementing agencies to the 53rd Meeting of US \$7,331 against project support cost balances, including the return of US \$3,569 by UNDP; US \$2,952 by UNEP and US \$810 by UNIDO;
- (d) That multilateral implementing agencies had balances totalling US \$9,576,651, excluding support costs, from projects completed over two years previously: US \$119,512 for UNDP, US \$899,062 for UNEP, US \$669,352 for UNIDO, and US \$7,888,725 for the World Bank;
- (e) The transfer of US \$510,659 plus agency fees of US \$38,300 from UNDP to UNIDO for national methyl bromide projects in Kenya (KEN/FUM/44/INV/38 and KEN/FUM/50/INV/40);
- (f) The transfer of US \$12,000 plus agency fees of US \$900 from UNDP to UNIDO for the terminal phase-out management plan project preparation project in Niger (NER/PHA/48/PRP/17); and
- (g) That US \$102,182,323 were available to the Executive Committee for approvals at the 53rd Meeting.

(Decision 53/2)

(b) 2007 business plans

29. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/5/Rev.1, which presented the status of implementation of the 2007 business plans in light of the possible level of approvals at the present Meeting and the actual approvals at the 51st and 52nd Meetings. He said that it was possible that the Committee might exceed the budget for the 2006-2008 triennium by US \$8.8 million. Whether that would be the case largely depended on the funding approved for the metered-dose inhaler (MDI) sector plan in China given that, so far, the amount requested by UNIDO on behalf of the Government of China was about US \$10 million higher than that recommended by the Secretariat.

30. The implementing and bilateral agencies had also submitted proposals for activities “not required for compliance” amounting to US \$1,276,990. Those activities were included in document UNEP/OzL.Pro/ExCom/53/15/Add.1, the addendum to the overview of issues identified during project review. They comprised mainly HCFC surveys, but also included: activities for countries that had received funding from the Global Environment Facility (GEF); customs enforcement projects; and a project to provide Russian translations of documents.

31. The representative of the Secretariat pointed out that the Executive Committee had already decided in decision 48/3 that the amount available for new commitments during the 2006-2008 triennium should, as a first priority, be allocated for compliance needs. He asked the Executive Committee to determine whether activities not included in the 2007 business plans should be considered for approval at the present Meeting. He also said that the Secretariat proposed that, in future, the information in the document on submission delays be included in the document on business plans as there was a large degree of overlap. Finally, he highlighted Table 4 of the document, which showed that if the MYAs were approved as recommended the

Executive Committee would add US \$7.8 million to the amount required to cover forward commitments, bringing the total to US \$95.14 million for the period 2009-2014.

32. One Member expressed his concern at the possibility that the Executive Committee might be left without any unallocated funds if all the projects were approved, including those not included in the 2007 business plans. Regarding the project for production closure in Romania (amounting to US \$1,290,000), however, the Committee was advised that although it had not been included in the 2007 business plan it was listed in the 2008 business plan. That meant that its approval at the present Meeting had no implications for the overall budget for the 2006-2008 triennium.

33. Regarding the HCFC surveys, it was suggested by several Members that the matter be left pending until discussions had taken place under agenda item 9, Options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities. Some Members thought that it was too early to take the matter up at the present Meeting, while others were concerned that if consideration of the projects was deferred to 2008 then there would be very little time for countries to prepare to meet their first control measure in the accelerated phase-out schedule, which was to occur in 2013. One Member underscored the value of HCFC surveys for preparing guidelines and standard criteria that would assist countries in conducting similar projects. It was agreed that HCFC surveys would be considered under agenda item 9.

34. In response to a query about why the projects in question had not been included in the 2007 business plan and whether that had any implications for the compliance status of the countries concerned, the representative of the Secretariat explained that, under current policy, activities were defined as “required for compliance” only if they were listed as such in the model three-year rolling phase-out plan, otherwise they were termed “not required for compliance”. He also said that projects might not have been submitted because of disbursement delays or because refrigerant management plans (RMPs) had not been completed, so submission of the terminal phase-out management plans (TPMPs) concerned was delayed.

35. The representative of UNDP explained that other reasons for non-submission of those activities might be that funding was left over from previous tranches, which enabled activities to continue. He also said that delays were sometimes caused when the requisite legislation was not in place, or when the project was being transferred from one agency to another. There was not necessarily any impediment to the country’s compliance status as a result of such delays.

36. Given that decision XIX/6 of the Meeting of the Parties had created pressing obligations for Parties regarding HCFC phase-out, one Member suggested that some of the activities currently labelled “not required for compliance” would, in fact, be instrumental in assisting countries in achieving compliance.

37. Following the discussion, the Executive Committee decided:

(a) To note:

(i) The report on the status of implementation of the 2007 business plans as contained in document UNEP/OzL.Pro/ExCom/53/5/Rev.1; and

- (ii) That the value of forward commitments approved at the 53rd Meeting was US \$1.1 million below the value in the 2007-2009 business plan of the Multilateral Fund;
- (b) To consider for approval at the present Meeting the production closure project for Romania (US \$1,290,000) that had not been included in the 2007 business plan;
- (c) To request the Fund Secretariat to proceed with the inclusion of information on submission delays in the context of its review of the implementation of business plans at the second and third Meetings of each year; and
- (d) To note that the level of annual tranches for new agreements submitted to the 53rd Meeting for approval amounted to US \$7,754,553 and, as a result, the total level of commitments for the period 2009 to 2014 would amount to US \$95.14 million.

(Decision 53/3)

(c) Status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol

38. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/6/Rev.1. It contained four parts and two annexes: Part I assessed the prospects for compliance in Article 5 countries; Part II provided information on countries with possible compliance issues being considered by the Implementation Committee; Part III presented data on the implementation of country programmes; and Part IV presented proposals for future modification of the document. The first proposed modification concerned reporting on projects with implementation delays in the context of compliance issues. The second was intended to enhance the assessment of the prospects for compliance by providing a more comprehensive assessment of risk that examined issues such as licensing systems, TPMP/national phase-out plan (NPP) status, implementation delays and other institutional matters and market forces. A table presented in the document suggested possible indicators of risk of non-compliance, which could be developed further in cooperation with the implementing agencies and interested Parties.

39. During the discussion, one Member said that it might be very time-consuming for the Secretariat to prepare new country reports taking into account projects with implementation delays when considering risks of non-compliance. Nevertheless, it could be useful for monitoring future compliance of Article 5 countries. He therefore sought clarification on the level of effort involved in adopting such an approach for individual countries and requested the Secretariat to report back to the 57th Meeting of the Executive Committee on that issue and on the usefulness of undertaking the proposed risk assessments. The representative of the Secretariat said that the Fund Secretariat already collected all the information necessary to undertake such an analysis. Any additional work required could be considered in the context of the future work arrangements of the Secretariat and would concern analysing and “packaging” the information. Such an approach would provide the Executive Committee and the Implementation Committee with a comprehensive assessment of compliance.

40. Another Member stressed that any risk analysis should be done in close consultation with the country that might be heading towards non-compliance. Discussions could be useful, for example, in the context of network meetings, which were attended by a representative of the Secretariat. A representative of the Ozone Secretariat indicated that such a risk assessment would be a unique and beneficial contribution to the work of the Implementation Committee, the Parties and the Executive Committee in assessing compliance. However, to encourage a timely flow of information, the Fund Secretariat should work through direct contact with the country involved prior to submitting the results of the risk assessment to the Executive Committee and the Implementation Committee.

41. Following the discussion on the level of effort involved in preparing detailed assessments of risk of non-compliance and the need to involve fully the countries that were the subject of the assessment, the Executive Committee decided:

- (a) To note the report on the status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol as contained in document UNEP/OzL.Pro/ExCom/53/6/Rev.1; and
- (b) To request the Fund Secretariat to proceed with a revision of the status of compliance document, and to include data on project implementation delays, an assessment of risks of non-compliance based on criteria, while engaging in ongoing consultations with countries and agencies to ensure that Article 5 countries were involved in the process, and to report back to the 57th Meeting of the Executive Committee on the usefulness and the level of effort associated with preparing detailed assessments of the risk of non-compliance.

(Decision 53/4)

(d) Model rolling three-year phase-out plan: 2008-2010 (follow-up to decision 50/5 (d))

42. The representative of the Secretariat presented document UNEP/OzL.Pro/ExCom/53/7, which contained the model rolling three-year phase-out plan for the Multilateral Fund for the years 2008-2010. He said that the maximum amount of CFCs, methyl bromide, carbon tetrachloride (CTC) and methyl chloroform (TCA) that must be funded during the 2008-2010 period, in both the consumption and production sectors was 3,809.4 tonnes. For the remainder of 2007 and in the 2008-2010 period, total funding commitments amounted to US \$263.3 million, which excluded the funding associated with new multi-year phase-out projects submitted to the Meeting. Furthermore, some US \$5.3 million associated with tranches of phase-out projects in 15 countries had not been submitted for approval and 53 phase-out plans had also yet to be submitted for consideration and approval by the Committee.

43. In reply to a question raised by one Member, the representative of the Secretariat said that the compliance model had taken into consideration projects for addressing consumption in the MDI sector in three countries where that consumption had previously been identified. He also clarified that in regard to the amounts of controlled substances that had been previously approved but had yet to be phased out, the reported figures were, as at the end of 2006, based on the progress reports submitted by the implementing agencies at the 52nd Meeting.

44. Following the discussion, the Executive Committee decided:

- (a) To adopt the 2008-2010 model rolling three-year phase-out plan as a flexible guide for resource planning for the corresponding period;
- (b) To urge Article 5 countries with approved but not implemented projects, and the relevant implementing and bilateral agencies, to accelerate the pace of implementation during the 2008-2010 period;
- (c) To urge bilateral and implementing agencies to work with those countries that had been identified as in need of immediate assistance to achieve the Protocol's 2007 and 2010 phase-out targets, and to include activities in their 2008-2010 business plans as appropriate;
- (d) To request the Secretariat to present an updated model rolling three-year phase-out plan for the years 2009-2011 to the last Meeting in 2008 to provide guidance, as relevant, for the preparation of the 2009-2011 business plan of the Multilateral Fund;
- (e) To note that:
 - (i) In total about 57,885.5 ODP tonnes of ODS consumption and 54,455.0 ODP tonnes of ODS production had yet to be phased out during the remainder of 2007 and in the 2008-2010 period;
 - (ii) Fifty-three terminal phase-out management plans (TPMPs) for low-volume-consuming (LVC) countries, 42 national ODS phase-out plans for non-LVC countries, and 10 phase-out plans in the production sector in five non-LVC countries were currently being implemented; and
 - (iii) National phase-out plans (NPPs) for two non-LVC countries and TPMPs for 31 LVC countries had yet to be submitted for consideration and approval by the Executive Committee.

(Decision 53/5)

AGENDA ITEM 6: PROGRAMME IMPLEMENTATION

(a) Monitoring and evaluation

(i) Extended desk study on low volume methyl bromide projects

45. The Executive Committee considered the report on the extended desk study on low volume methyl bromide projects (UNEP/OzL.Pro/ExCom/53/8) as part of the 2007 monitoring and evaluation work programme approved by the Executive Committee at its 50th Meeting (decision 50/9). The Senior Monitoring and Evaluation Officer explained that, for methyl bromide, LVC countries had often been aided with technical assistance and awareness-raising activities aimed at preventing increases in methyl bromide consumption, which could occur particularly when certain agricultural sectors suddenly expanded or fumigation requirements for

trade purposes increased. The majority of countries had complied with the freeze from 2002 and the 20 per cent reduction from 2005, and according to latest reported consumption data only five Article 5 countries were in non-compliance with that reduction step.

46. Fifty-four methyl bromide projects for LVC countries had been approved since 1995. Of those, 40 had been completed and 14 were ongoing. Many training projects included work with customs departments to develop legislation specifically concerning methyl bromide, and to train officials to detect and prevent possible illegal imports. Very few projects evaluated the economic feasibility of alternatives to methyl bromide, which was an important issue when it came to convincing potential users to adopt alternatives. Low prices and the easy availability of methyl bromide in some countries had also created barriers to quick adoption of alternatives. The possibility that methyl bromide imported for quarantine and pre-shipment (QPS) uses might be diverted to controlled uses had not been addressed in most projects, although it had been mentioned on several occasions during interviews conducted in the course of the evaluation.

47. Several Members questioned the need for field studies, given the low level of total consumption of methyl bromide and the small number of remaining low-volume consumers. It was therefore agreed to discuss the usefulness of field studies under agenda item 6 (a)(iii), Draft monitoring and evaluation work programme for the year 2008.

48. Following a discussion, the Executive Committee took note of the information provided in the extended desk study on low volume methyl bromide projects in document UNEP/OzL.Pro/ExCom/53/8.

(ii) 2007 consolidated project completion report

49. The Senior Monitoring and Evaluation Officer presented the 2007 consolidated project completion report (UNEP/OzL.Pro/ExCom/53/9 and Add.1), which provided the Executive Committee with an overview of the results reported in the project completion reports (PCR) received since the 50th Meeting. It also included lessons learned provided by the agencies in the progress reports on activities covered by annual work programmes under MYAs, as requested by the Executive Committee at its 48th Meeting. He said that, for the second time and in accordance with decision 48/12, lessons learned during the implementation of MYAs were presented in the document.

50. The PCRs submitted for investment projects had been reviewed with respect to phase-out achieved, implementation delays, completeness of information and data consistency, overall assessment and lessons learned. A number of interesting lessons had been reported, which were partly technical but also referred to management issues regarding project preparation and implementation. The PCRs for non-investment projects had also been reviewed and in those cases the lessons learned referred in particular to the implementation of RMPs, highlighting the difficulties when working with small and medium-sized enterprises in the servicing sector.

51. He also said that terminal reports submitted for the extension of institutional strengthening (IS) projects showed improvement in both quality and completeness. While most reports provided concrete information, some contained repetitive texts, which made it difficult to determine the results achieved. The agencies were urged to improve their quality control over IS

reporting and to ensure that the results achieved, lessons learned, and remaining issues were properly highlighted in the terminal reports.

52. The Executive Committee decided:

- (a) To take note of the 2007 consolidated project completion report, including the schedule for submission of project completion reports (PCRs) due and the lessons learned in Annex II to document UNEP/OzL.Pro/ExCom/53/9;
- (b) To request implementing and bilateral agencies concerned:
 - (i) In cooperation with the Multilateral Fund Secretariat, to establish full consistency of data reported in the PCRs in the inventory and in the annual progress reports by the end of January 2008;
 - (ii) To provide the information still missing in a number of PCRs by the end of January 2008; and
 - (iii) To clear the backlog of PCRs for projects completed before the end of 2005 by the end of January 2008.

(Decision 53/6)

(iii) Draft monitoring and evaluation work programme for the year 2008

53. The Senior Monitoring and Evaluation Officer introduced document UNEP/OzL.Pro/ExCom/53/10 containing the draft monitoring and evaluation work programme for the year 2008, together with a report on progress made in implementing the 2007 monitoring and evaluation programme. He proposed further studies for 2008, which consisted of an evaluation of the management and monitoring of NPPs in non-LVC countries; a report on initiating work to standardize annual work programmes and progress and verification reports of MYAs; an extended desk study and final report on the evaluation of TPMPs; an evaluation of methyl bromide projects in LVC countries; an extended desk study on the evaluation of chiller projects; and a consolidated project completion report for 2007. An overview of the studies planned, a timetable for their submission to the Executive Committee, and best estimates of the costs of the activities were also included in the document. The total budget proposed for the 2008 work programme was US \$326,000, as opposed to US \$361,000 for the 2007 work programme. The reduction in budget was a result of the smaller than usual number of suggested case studies on methyl bromide projects in LVC countries.

54. Several Members questioned the utility of further work on evaluating methyl bromide projects in LVC countries and proposed removing it from the 2008 work programme. One Member suggested, however, that the evaluation of institutional strengthening projects proposed in the paper on options for possible funding arrangements and levels for institutional strengthening support beyond 2010 (UNEP/OzL.Pro/ExCom/53/61) for inclusion in the 2009 work programme be brought forward into the 2008 work programme to replace the evaluation of methyl bromide projects in LVC countries.

55. Concern was expressed regarding the timetables in the draft work programme. Given that the total phase-out deadline for CFCs was 2010, presentation of the final report on the evaluation of TPMPs at the first Meeting of the Executive Committee in 2009 was perhaps too late for best use to be made of the results. For the same reason, submission of the extended desk study on the evaluation of chiller projects at the same Meeting was deemed too late by one Member, although another Member felt that the study might not be needed.

56. In response, the Senior Monitoring and Evaluation Officer said that the final report on the evaluation of TPMPs could be completed earlier, by the third Meeting in 2008. He also advised that not all of the data required for the extended desk study on the evaluation of chiller projects would be available until the second half of 2008, but that the results would still be useful if the study were produced by the end of 2008. He said that the desk study could perhaps be brought forward if a less ambitious product was deemed sufficient. A simple desk study could be ready earlier if no field studies were to be included. Some Members, however, maintained that Executive Committee resources would be put to better use in other activities.

57. Regarding a request to reduce staff travel costs, the Senior Monitoring and Evaluation Officer said that the number of missions could be reduced, but some were required to ensure that the Senior Monitoring and Evaluation Officer remained fully aware of the situation on the ground. Consultants needed to be briefed and debriefed, which required the Senior Monitoring and Evaluation Officer to be familiar with conditions in at least some of the countries selected for field visits.

58. One Member said that, in general, the Senior Monitoring and Evaluation Officer should concentrate on monitoring rather than only on evaluation activities. Monitoring activities were crucial for identifying countries at risk of non-compliance, as discussed under agenda item 5(c), Status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol.

59. Following the discussion the Executive Committee decided:

- (a) To approve the 2008 monitoring and evaluation work programme and schedule for submission of documents on monitoring and evaluation to the Executive Committee as set out in Table 1 below; and
- (b) To approve the budget for the 2008 monitoring and evaluation work programme at the amount of US \$326,000 as set out in Table 2 below.

Table 1: SCHEDULE FOR SUBMISSION OF DOCUMENTS ON MONITORING AND EVALUATION TO THE EXECUTIVE COMMITTEE

1 st Meeting 2008 (54 th)	2 nd Meeting 2008 (55 th)	3 rd Meeting 2008 (56 th)	1 st Meeting 2009 (57 th)
<ul style="list-style-type: none"> Final report on the evaluation of management and monitoring of NPPs in non-LVC countries Desk study on the evaluation of institutional strengthening projects 	<ul style="list-style-type: none"> Report on standardization of annual work programmes, progress and verification reports of MYAs and on the development of country profiles Desk study on the evaluation of TPMPs 	<ul style="list-style-type: none"> Final report on the evaluation of institutional strengthening projects 2008 consolidated project completion report Draft 2009 monitoring and evaluation work programme 	<ul style="list-style-type: none"> Desk study on chiller projects, focusing on incentive programmes Final report on the evaluation of TPMPs

Table 2: PROPOSED BUDGET FOR THE 2008 MONITORING AND EVALUATION WORK PROGRAMME

Description	Amount (US \$)
Desk study on the evaluation of institutional strengthening projects	30,000
Case studies and final report on the evaluation of institutional strengthening projects	90,000
Desk study on the evaluation of TPMPs	20,000
Case studies and final report on the evaluation of TPMPs	100,000
Desk study on chiller projects, focusing on incentive programmes	30,000
Staff travel	50,000
Equipment (computer, etc.)	4,000
Communication (phone, mail couriers, etc.)	2,000
TOTAL	326,000

(Decision 53/7)

(iv) Review of the new format for reporting on multi-year agreements, including terminal phase-out management plans (follow-up to decision 51/13)

60. The Senior Monitoring and Evaluation Officer introduced document UNEP/OzL.Pro/ExCom/53/11 containing a review of the new format for reporting on MYAs, including TPMPs (follow-up to decision 51/13). In that decision, the Executive Committee had requested the Secretariat to organize a workshop for implementing agencies and other interested Executive Committee Members in the margins of the 53rd Meeting to review and discuss reporting of MYAs in the light of experience gained in using the new format. Accordingly, the workshop was held on 26 November 2007. Overall, the experience with using the overview table had been positive, although agencies had reported some difficulties in filling in the data, in particular Tables 8 and 9 on “implementation details” and “the annual plan submitted compared

with the overall plan”, respectively. The Senior Monitoring and Evaluation Officer said that the difficulties would be sorted out in the coming months and the final format would be presented to the Executive Committee in 2008. The next step was to develop a web-based document library containing each project so as to provide a one-stop site with links to all the information required for project presentation, review and evaluation. The prototype of such a library was planned to be ready before the 55th Meeting of the Executive Committee.

61. It was pointed out that several web-based and risk-assessment projects had been discussed at the present Meeting and the need for some of them had been questioned. It was proposed that there be one database held by the Secretariat in which all information pertaining to a country, including country programme data, could be combined in order to produce a comprehensive country profile that could be used to assess the country’s risk of non-compliance. The importance of including input from the country in such a profile was also stressed. The representative of UNEP said that its Compliance Assistance Programme (CAP) already had a lot of experience in that domain and could share its methods and expertise in identifying potential non-compliance.

62. One Member proposed developing a list of steps that the Executive Committee could take in order to mobilize and assist countries identified as being at risk of non-compliance. He suggested various options including letters from the Chair and/or the Chief Officer, and site visits by the Chair and/or Chief Officer, together with the implementing agencies. He also hoped that there would be other, more direct, ways of finding out whether a country was at risk of non-compliance. There was an expectation that the National Ozone Unit (NOU), the government or the implementing agency would inform the Executive Committee if the country was experiencing problems.

63. The Senior Monitoring and Evaluation Officer confirmed that such a web-based system was technically possible. He said that there was some funding left over from the 2007 work programme that could be used for that purpose.

64. Following the discussion, the Executive Committee decided:

- (a) To note the review of the new format for reporting on multi-year agreements, including terminal phase-out management plans (follow-up to decision 51/13) as contained in document UNEP/OzL.Pro/ExCom/53/11;
- (b) To request the Senior Monitoring and Evaluation Officer to initiate the development of web-based country profiles including information compiled for the compliance-risk assessments requested under decision 53/4; and
- (c) To request the Secretariat to ensure, prior to the initial posting of country profiles on its website, that the countries concerned and UNEP’s Compliance Assistance Programme were notified for comment.

(Decision 53/8)

(b) Project implementation delays

65. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/12, which included information on project implementation delays, delayed projects in countries with

compliance-related issues, projects for which status reports were requested, projects proposed for cancellation at the present Meeting, and a request for the transfer of a project.

66. One Member reported on behalf of the Government of Germany that the foam project in the Islamic Republic of Iran (IRA/FOA/37/INV/152) had been completed and a PCR was being prepared. The representative of UNDP indicated that the project in the Libyan Arab Jamahiriya (LIB/FOA/32/INV/05), for which a letter of possible cancellation was proposed, had been cancelled in 2005 and the equipment transferred to another project, therefore, there was no need for a letter of possible cancellation. The representative of the Secretariat said that the project would be removed but there was an outstanding balance, which the Secretariat would track in the context of reporting on completed projects with balances.

67. Following the discussion, taking into account the completion of the project in the Islamic Republic of Iran (IRA/FOA/37/INV/152) and the cancellation of the project in the Libyan Arab Jamahiriya (LIB/FOA/32/INV/05), the Executive Committee decided:

- (a) To note:
 - (i) With appreciation, the status reports on projects with implementation delays submitted to the Secretariat by the Governments of Australia, Canada, France, Germany, Japan, Portugal, and Sweden, and the four implementing agencies, and the 2006 progress report from the Government of Sweden addressed in document UNEP/OzL.Pro/ExCom/53/12;
 - (ii) That the Secretariat and implementing agencies would take established actions according to the Secretariat's assessments (progress, some progress, or no progress) and report to, and notify, governments and implementing agencies as required;
 - (iii) The completion of eight of the 60 projects listed with implementation delays;
- (b) That letters of possible cancellation should be sent in respect of the following projects:

Agency	Code	Project title
France	SYR/REF/29/INV/53	Conversion from CFC-12 to HFC-134a technology in the manufacture of commercial refrigeration equipment at Shoukairi and Co. in the Syrian Arab Republic
UNEP	GLO/SEV/39/TAS/248	Production of OzonAction Newsletter in Russian, translation of 4 refrigeration/customs training modules into Russian, and reprinting and updating existing publications
UNEP	SOM/SEV/35/TAS/01	Formulation of national phase-out strategy in Somalia

- (c) To request additional status reports on the projects listed in Annex II to the present report;

- (d) To note the cancellation of the following projects by mutual agreement:

Agency	Code	Project title
Germany	ALG/SEV/43/CPG/60	Development of a country programme update in Algeria
UNDP	LAO/FOA/44/INV/14	Conversion from CFC-11 in the manufacture of box foam (FPF) and insulated containers (RPF) in Prasert Sofa Shop Co., Ltd. in the Lao People's Democratic Republic
UNIDO	ETH/SOL/45/TAS/15	Training and awareness workshop in the solvents and process agents (CTC and TCA) sector in Ethiopia

- (e) To request the Governments of Finland and the United States of America to submit progress reports to the 54th Meeting.

(Decision 53/9)

(c) Annual tranche submission delays

68. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/13, which included information on delays in the submission of annual tranches. The representative of UNIDO provided the Executive Committee with an update of the status for three countries: with respect to Albania, he indicated that the subsequent tranche would be submitted to the 54th Meeting of the Executive Committee; for the Islamic Republic of Iran, the delay was due to the funds needing to be reallocated from the MDI project; and for the Libyan Arab Jamahiriya, a new Ozone Officer had been appointed and Article 7 data had been reported.

69. Following the discussion and the suggestion by the Chair that the updates provided by the representative of UNIDO be reflected, the Executive Committee decided:

- (a) To note:
- (i) The information on annual tranches of multi-year agreements submitted to the Secretariat by France, UNDP, UNEP, UNIDO and the World Bank contained in the document on annual tranche submission delays (UNEP/OzL.Pro/ExCom/53/13);
 - (ii) That 14 of the 57 annual tranches of multi-year agreements due for submission had not been submitted on time to the 53rd Meeting, and 10 had been withdrawn because of the low levels of disbursement of funds and/or slow implementation;
- (b) That letters should be sent to the implementing agencies and the relevant Article 5 governments for the annual tranches listed below that had been due for submission to the 53rd Meeting, together with the reasons indicated for the delay, and encouraging them to submit those annual tranches to the 54th Meeting unless otherwise indicated:

Country	Agency	Sector	Tranches	Reason for delay
Albania	UNIDO	ODS Phase-out	2007	The activities under prior tranches are only expected to be completed by the end of 2007 or the beginning of 2008.
Antigua and Barbuda	World Bank	CFCs Phase-out	2006	Awaiting signature of the grant agreement.
Bangladesh	UNDP	ODS Phase-out	2007	Tranches for 2005 and 2006 were submitted without verification reports and the 2007 tranche was expected to be submitted with the 2008 tranche after approval of the 2005 and 2006 tranches.
Bangladesh	UNEP	ODS Phase-out	2007	Tranches for 2005 and 2006 were submitted without verification reports and the 2007 tranche was expected to be submitted with the 2008 tranche after approval of the 2005 and 2006 tranches.
Congo, DR	UNDP	CFCs Phase-out	2007	Slow progress in implementing current work plan.
Congo, DR	UNEP	CFCs Phase-out	2007	Slow progress in implementing current work plan.
Islamic Republic of Iran	UNIDO	CFCs Phase-out (Refrigeration Servicing /Assembly/ Solvents)	2008	Funds had to be reallocated from the MDI project.
Kenya	France	CFCs Phase-out	2005	Recent initiation of first tranche.
Kyrgyzstan	UNDP	CFCs Phase-out	2007	Slow progress in signing the project document and subsequently delay in the implementation of the 2007 annual plan.
Kyrgyzstan	UNEP	CFCs Phase-out	2007	Slow progress in signing the project document and subsequently delay in the implementation of the 2007 annual plan.
Libyan Arab Jamahiriya	Spain	Methyl bromide	2007	Changes in the institutional arrangements at the NOU, but an Ozone Officer had been appointed.
Libyan Arab Jamahiriya	UNIDO	CFCs Phase-out	2006	No Article 7 data had been reported. At the 53 rd Meeting, UNIDO reported that Article 7 data had been reported the previous week.
Uruguay	Canada	CFCs Phase-out	2007	Late signature of the project document.
Uruguay	UNDP	CFCs Phase-out	2007	Late signature of the project document.

- (c) To urge Albania, Bangladesh, the Democratic Republic of the Congo, the Islamic Republic of Iran, Kenya, and the Libyan Arab Jamahiriya, for which compliance decisions had been taken and for which the related annual tranches had not been submitted to the 53rd Meeting, to facilitate the submission of the required reports to the 54th Meeting; and
- (d) To note that letters should be sent for the following annual tranches submitted to the 53rd Meeting but not considered for approval for the reasons indicated, and to encourage implementing agencies and the relevant Article 5 governments to submit those annual tranches to the 54th Meeting:

Country	Agency	Sector	Tranches	Reason the submission not considered for approval
Bangladesh	UNDP	ODS Phase-out	2005 and 2006	Verification report was not submitted.
Bangladesh	UNEP	ODS Phase-out	2005 and 2006	Verification report was not submitted.
Indonesia	World Bank	ODS Phase-out (Foam)	2007	Verification was inadequate.
Indonesia	UNDP	ODS Phase-out (Refrigeration Manufacturing)	2007	Verification was inadequate.
India	Germany	CFCs Phase-out (Refrigeration Servicing)	2008	Verification was inadequate.
India	Switzerland	CFCs Phase-out (Refrigeration Servicing)	2008	Verification was inadequate.
India	UNDP	CFCs Phase-out (Refrigeration Servicing)	2008	Verification was inadequate.
India	UNEP	CFCs Phase-out (Refrigeration Servicing)	2008	Verification was inadequate.
Nigeria	UNDP	CFC Phase-out	2005	Verification was inadequate.
Pakistan	UNIDO	CTC Phase-out	2005	Verification was inadequate.

(Decision 53/10)

(d) Report on implementation of approved projects with specific reporting requirements:

70. The representative of the Secretariat drew the Executive Committee's attention to document UNEP/OzL.Pro/ExCom/53/14, which contained progress reports on the implementation of the accelerated phase-out of CFCs and halons in China, the national phase-out programme in Colombia, the national CFC phase-out plan in Mexico, and the sector plan for phasing out the CFC-11 and CFC-12 production sector in Mexico. In response to a request for clarification, he said that closure of CFC production in Mexico had been verified by the auditors. Its production of HCFC-22 required chloroform, which was imported; CTC was not required.

71. The Executive Committee decided:

- (a) To take note of the 2007 progress report on the accelerated phase-out plan in China and to encourage China to continue its efforts to closely monitor import and export of ODS and the illegal trade and production of ODS, thus contributing to the compliance effort in the region and globally;
- (b) To take note of the progress report on the implementation of the national CFC phase-out plan in Colombia and to approve the annual implementation programme for 2008;
- (c) To take note of the progress report on the implementation of the national CFC phase-out plan in Mexico and to approve the annual implementation programme for 2008; and
- (d) To commend the Government of Mexico and UNIDO for their good efforts in complying with decision 47/29 and implementing the audit to confirm the sustained cessation of CFC production at Quimobasicos in Mexico and to request

the Government of Mexico and UNIDO to continue monitoring the CFC production closure at Quimobasicos between 2008-2009.

(Decision 53/11)

AGENDA ITEM 7: PROJECT PROPOSALS

(a) Overview of issues identified during project review

72. The representative of the Secretariat introduced documents UNEP/OzL.Pro/ExCom/53/15, Corr.1 and Add.1, which contained an overview of issues identified during project review. The document comprised three sections: the first provided the statistics on the submissions to the 53rd Meeting received from implementing and bilateral agencies; the second contained three policy issues identified by the Secretariat from the review of submissions; and the third presented two submissions from implementing agencies proposing amendments to two ongoing annual tranches of MYAs. The Executive Committee was asked to consider each request separately.

73. With regard to the Multilateral Fund's cash balance, the representative of the Secretariat said that, as the request to advance the 2008 annual work programme of the China CFC production closure and the 2008 annual work programme of the Romania ODS production sector plan would not require cash disbursement until early 2008, the cash requirement at the current Meeting was reduced from US \$86 million to approximately US \$78 million, which could be accommodated by the cash balance of approximately US \$82 million.

74. The addendum to the document provided a list of requests that were not needed for compliance as per the three-year rolling business plan in accordance with decision 52/4.

Requests for HCFC surveys

75. The first issue concerned the total of 96 requests that had been received for HCFC surveys. The representative of the Secretariat explained that only 13 of these 96 requests had been included in the work programme amendment documents for UNDP and UNIDO because, by 17 October 2007, the Secretariat had received endorsement letters only from those 13 countries. Nevertheless, all the requests had been included in the business plan document UNEP/OzL.Pro/ExCom/53/5. By decision 51/5, the Executive Committee had decided "to remove HCFC activities and ODS disposal from the 2007-2009 business plans for the time being on the understanding that those issues would be considered at the first meeting of the Executive Committee in 2008". However, in view of the decision of the Nineteenth Meeting of the Parties on accelerating HCFC phase-out, the Secretariat had drawn to the attention of the Executive Committee the desire of countries to proceed with HCFC surveys so that the Committee could decide on the way forward. In order to make meeting documents available to Members four weeks prior to the Meeting, it had been necessary for the Secretariat to set deadlines for the implementing agencies to submit their requests. One Member said that he had been informed by the implementing agency concerned that his Government must renew its request for an HCFC survey. As a result it had been submitted after the deadline, and he asked the Executive Committee to deal with such requests equitably. The Chair reminded the Committee that the issue of HCFC surveys would be covered under agenda item 9, Options for

assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities.

Implementation of the guidelines for sustainability plans for halon banking

76. The representative of the Secretariat introduced the second issue relating to the interpretation of halon banking guidelines, which concerned decision 44/8, paragraph (d), requesting bilateral and implementing agencies “to assist companies or institutions hosting recovery and recycling centres to review the original planning agreed by the countries and stakeholders in developing a new business plan, which should include calculations of operational costs and projections of revenues, as well as costs and modalities for transporting halon and/or equipment to and from clients”. UNIDO was seeking further clarification of the interpretation of that decision, specifically (i) whether the hosting institution of the halon centre should be identified at the time of project submission; and (ii) whether a commitment by a government to support a centre was a sufficient guarantee of sustainability. One Member expressed his understanding that it had been the practice of the Executive Committee that the host institution should be identified at the time of submission and that the business plan should be included. Therefore the plans should be resubmitted once those two requirements had been met.

77. The Executive Committee decided to request UNIDO to resubmit the two requests once the host institutions had been identified and the business plan included.

(Decision 53/12)

India: Definition of consumption under a performance-based agreement

78. The third issue related to the possibility that India might not meet the CFC reduction target in the 2006 NPP. The reported level of CFC consumption for 2006 under Article 7 was 3,411.8 ODP tonnes, while the maximum allowable consumption under the agreement was 1,560 ODP tonnes. India had therefore apparently exceeded the maximum allowable consumption under the agreement. A related office order from the Government of India seemed to indicate that India was under the impression that CFC consumption for MDIs did not fall under the consumption definition in the agreement on the phase-out plan. The Government of Germany, as lead agency, has requested the Secretariat to present the issue to the Executive Committee as a point on policy related to the “Definition of consumption under performance-based agreements”.

79. Several Members supported the view that the Executive Committee must take a definitive view regarding the definition of consumption. One Member stated that although agreed production levels could be exceeded by 10 per cent to meet basic domestic needs, the level of excess consumption in India was not justified.

80. An informal group composed of the representatives of Canada, acting as facilitator, China, Italy, Sweden, the United States of America and Uruguay, as well as Germany as the bilateral agency, the World Bank as implementing agency for the CFC production phase-out project and representatives of the Secretariat, met on several occasions to discuss possible solutions. In his report to the Executive Committee, the facilitator said that most members of the group wished to note the seriousness of the situation regarding compliance with the agreement between India and the Executive Committee, in which India had significantly exceeded its 2006

CFC consumption target. The Government of India should be advised that, under the terms of the agreement, the penalty for exceeding its CFC consumption target in 2006 was estimated at more than US \$27 million, which would have to be recovered by the Multilateral Fund. Those Members also wanted to confirm that the consumption of CFCs for MDIs was considered to be part of its CFC consumption under the agreement, and that stockpiling of CFCs in 2006 for MDIs, and for servicing and exports in subsequent years was also considered to be part of its CFC consumption under the agreement. The Government of India should be urged to undertake all necessary steps to ensure future compliance with the provisions of the agreement and to submit the outstanding parts of its verification report under the agreement eight weeks prior to the 54th Meeting of the Executive Committee. On the other hand, one member of the informal group believed that, in accordance with decision XVIII/17 of the Eighteenth Meeting of the Parties, India should be given a chance to comply with the agreement. After presentation of the report, one Member expressed the view that the Executive Committee should seek ways to help India rather than penalize it, perhaps by developing a plan to destroy its stockpile and thus return it to compliance.

81. The Executive Committee decided to discuss the issue of India's CFC consumption in 2006 and its relation to performance-based agreements at the 54th Meeting of the Executive Committee.

(Decision 53/13)

Islamic Republic of Iran: Phase-out of CFCs in metered-dose inhalers (follow-up to decision 52/33)

82. The representative of the Secretariat indicated that, at its 52nd Meeting, the Executive Committee had approved funding for the implementation of a national strategy for the phase-out of CFCs in MDIs in the Islamic Republic of Iran, as well as a project for the phase-out of 96.4 ODP tonnes of CFCs used in the manufacture of MDIs. Approval by the Committee had been subject to a deduction of US \$465,500 to be applied to the funding approved for the conversion project or to the national phase-out plan, or both. Subsequently, the Government of the Islamic Republic of Iran had decided to deduct the amount of US \$465,500 from the funds approved for both the MDI conversion project and the phase-out plan on an equal basis.

83. The Executive Committee decided:

- (a) To note the return of US \$232,750 plus agency support costs of US \$17,456 for UNIDO, representing 50 per cent of the deduction of US \$465,500 being applied to the project for the phase-out of CFCs used in the manufacture of metered-dose inhalers (MDIs) in the Islamic Republic of Iran approved at the 52nd Meeting;
- (b) To approve the following modifications to Appendix 2-A and Appendix 6-B to the national CFC phase-out plan of the Islamic Republic of Iran (Annex VI to document UNEP/OzL.Pro/Excom/41/87), reflecting the other 50 per cent of the deduction associated with the MDI conversion project:

Revised Appendix 2-A table

(US \$)	2003	2004	2005	2006	2007	2008	2009	2010	Total
Lead Agency									
GTZ annual funding	694,124	946,405	479,045	1,007,124	920,868	729,846	512,208		5,289,620
Support costs	76,354	104,105	52,695	110,784	101,295	80,283	56,343		581,859
Total GTZ	770,478	1,050,510	531,739	1,117,908	1,022,163	810,129	568,551		5,871,479
Cooperating Agencies									
France annual funding	1,006,620		500,000						1,506,620
Support costs	110,728		55,000						165,728
Total France	1,117,348		555,000						1,672,348
UNEP annual funding	140,253								140,253
Support costs	18,233								18,233
Total UNEP	158,486								158,486
UNIDO annual funding	361,840	2,104,066	742,449	66,224	36,179				3,310,757
Support costs	27,138	157,805	55,684	4,967	2,713				248,307
Total UNIDO	388,978	2,261,871	798,132	71,190	38,892				3,559,064
UNDP annual funding		770,000							770,000
Support costs		57,750							57,750
Total UNDP		827,750							827,750
Overall									
Total grant requested	2,202,837	3,820,471	1,721,493	1,073,348	957,047	729,846	512,208		11,017,250
Accumulated Support Costs	232,453	319,660	163,379	115,750	104,009	80,283	56,343		1,071,876
Total Costs	2,435,290	4,140,131	1,884,872	1,189,098	1,061,056	810,129	568,551		12,089,127

Revised Appendix 6-B table

Subsector activity	ODP	CE	Subtotal	Total	Coordinating agency
Refrigeration manufacturing	56.0	13.75		770,000	UNDP
Refrigeration assembly	135.0	6.84		923,245	UNIDO
MAC	424.4	5.00		2,122,000	
Investment/ recovery and recycling			1,506,620		FRANCE
TA/Training program			615,380		GTZ
Servicing domestic/commercial units	475.0	5.00		2,347,672	UNIDO
Investment/ recovery and recycling					
Training/incentive component (Training of customs officer)					
Foam sector	608.4	6.57		3,997,188	GTZ
Solvent/Aerosol sectors	9.6	4.15		39,840	UNIDO
Subtotal	1,708.4			10,199,945	
Project Management and Policy Support				817,305	
Regulatory and policy support			140,253		UNEP
Management and monitoring Unit			677,052		GTZ
Total	1,708.4	6.59		11,017,250	

Summary of agency shares

Agency	Sector	Funding
UNDP	Ref. Manufacturing	770,000
UNIDO	Ref. Servicing/ Assembly/Solvents	3,310,757
FRANCE	MAC R&R	1,506,620
UNEP	Regulations	140,253
GTZ	Foam, MAC Training, Management	5,289,620
		11,017,250

- (c) To further note that this revised Agreement supersedes the Agreement reached between the Government of the Islamic Republic of Iran and the Executive Committee at the 41st Meeting.

(Decision 53/14)

Kenya: Technology transfer leading to methyl bromide (MB) phase-out in soil fumigation in Kenya

84. The representative of the Secretariat introduced a proposal submitted by the Government of Germany and UNDP, on behalf of Kenya, containing a progress report on the implementation of the methyl bromide phase-out project in soil fumigation in Kenya, and a request for the change of implementing agency from UNDP to UNIDO. He said that modifications to the project had delayed the implementation of the work programmes associated with the last two tranches being implemented by UNDP. In order to expedite the implementation of the project, the Government of Kenya had requested UNDP to submit a request to the Executive Committee to transfer the project to UNIDO and to seek an extension of the phase-out project from 2008 to 2009 in order to complete activities that would ensure the sustainability of methyl bromide phase-out. He said all stakeholders involved at the national level, as well as the Government of Germany, UNDP and UNIDO were in full agreement with the request.

85. One Member noted that there would be no funding request in 2009 and he therefore asked UNIDO whether it would disburse the funding available over the entire period of the project. The representative of UNIDO confirmed that that was the case.

86. Following a discussion, the Executive Committee decided:

- (a) To take note of the progress report on the implementation of the project on technology transfer leading to methyl bromide phase-out in soil fumigation in Kenya;
- (b) To approve the request by the Government of Kenya to change UNDP for UNIDO as the implementing agency responsible for the completion of the phase-out of methyl bromide in the cut-flower sector; and

- (c) To approve the agreed revised conditions for phase-out of methyl bromide in Kenya as contained in Annex III to the present report.

(Decision 53/15)

List of projects and activities submitted for blanket approval

87. The Chair drew the Executive Committee's attention to the list of projects and activities recommended for blanket approval, which were contained in Annex I to document UNEP/OzL.Pro/Excom/53/15. The list contained 90 activities with a total value of US \$20,861,799. He indicated that the 2008 annual work programme of the sector plan for halon phase-out for China had been removed from the list and the TPMP for the Maldives and the institutional strengthening project for Guatemala had been added to the list for blanket approval.

88. During the ensuing discussion, it was generally agreed that funding for a second tranche in several TPMPs would be requested in 2009. Accordingly, the Executive Committee decided:

- (a) To approve the projects and activities submitted for blanket approval of funding indicated in Annex IV to the present report, which included the conditions or provisos contained in the corresponding project evaluation sheets and the conditions attached to the projects by the Executive Committee;
- (b) To approve the agreement between the Government of Algeria and the Executive Committee for the national phase-out plan contained in Annex V to the present report at a total amount in principle of US \$921,500 plus agency support costs of US \$69,113 for UNIDO and the first tranche for the project at the amount indicated in Annex IV;
- (c) To approve the agreement between the Government of Belize and the Executive Committee for the terminal phase-out management plan contained in Annex VI to the present report at a total amount in principle of US \$295,000 plus agency support costs of US \$30,590 (US \$13,130 for UNEP and US \$17,460 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (d) To approve the agreement between the Government of Cambodia and the Executive Committee for the terminal CFC phase-out management plan contained in Annex VII to the present report at a total amount in principle of US \$450,000 plus agency support costs of US \$43,100 (US \$22,100 for UNEP and US \$21,100 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (e) To approve the agreement between the Government of Chad and the Executive Committee for the terminal phase-out management plan contained in Annex VIII to the present report at a total amount in principle of US \$345,000 plus agency support costs of US \$37,890 (US \$22,230 for UNEP and US \$15,660 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (f) To approve the agreement between the Government of El Salvador and the Executive Committee for the terminal CFC phase-out management plan contained

in Annex IX to the present report at a total amount in principle of US \$565,000 plus agency support costs of US \$45,125 (US \$38,625 for UNDP and US \$6,500 for UNEP) and the first tranche for the project at the amount indicated in Annex IV;

- (g) To approve the agreement between the Government of Gambia and the Executive Committee for the terminal phase-out management plan contained in Annex X to the present report at a total amount in principle of US \$295,000 plus agency support costs of US \$33,150 (US \$21,450 for UNEP and US \$11,700 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (h) To approve the agreement between the Government of Guyana and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XI to the present report at a total amount in principle of US \$345,000 plus agency support costs of US \$36,250 (US \$16,900 for UNEP and US \$19,350 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (i) To approve the agreement between the Government of Liberia and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XII to the present report at a total amount in principle of US \$345,000 plus agency support costs of US \$39,570 (US \$27,690 for UNEP and US \$11,880 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (j) To approve the agreement between the Government of the Malawi and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XIII to the present report at a total amount in principle of US \$345,000 plus agency support costs of US \$37,930 (US \$22,360 for UNEP and US \$15,570 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (k) To approve the agreement between the Government of Maldives and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XIV to the present report at a total amount in principle of US \$180,000 plus agency support costs of US \$20,000 (US \$12,350 for UNEP and US \$7,650 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (l) To approve the agreement between the Government of Mali and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XV to the present report at a total amount in principle of US \$520,000 plus agency support costs of US \$49,890 (US \$25,740 for UNEP and US \$24,150 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (m) To approve the agreement between the Government of Mauritania and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XVI to the present report at a total amount in principle of US \$295,000 plus agency support costs of US \$32,750 (US \$20,150 for UNEP and US \$12,600 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;

- (n) To approve the agreement between the Government of Montenegro and the Executive Committee for the terminal phase-out management plan contained in Annex XVII to the present report at a total amount in principle of US \$270,295 plus agency support costs of US \$20,272 for UNIDO and the first tranche for the project at the amount indicated in Annex IV;
- (o) To approve the agreement between the Government of Qatar and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XVIII to the present report at a total amount in principle of US \$432,500 plus agency support costs of US \$39,038 (US \$23,438 for UNIDO and US \$15,600 for UNEP) and the first tranche for the project at the amount indicated in Annex IV;
- (p) To approve the agreement between the Government of Rwanda and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XIX to the present report at a total amount in principle of US \$345,000 plus agency support costs of US \$38,130 (US \$23,010 for UNEP and US \$15,120 for UNDP) and the first tranche for the project at the amount indicated in Annex IV;
- (q) To approve the agreement between the Government of Samoa and the Executive Committee for the terminal CFC phase-out management plan contained in Annex XX to the present report at a total amount in principle of US \$150,000 plus agency support costs of US \$16,500 (US \$9,750 for UNEP and US \$6,750 for UNDP) and the first tranche for the project at the amount indicated in Annex IV; and
- (r) That for projects related to renewal of institutional strengthening, blanket approval included approval of the observations to be communicated to recipient Governments contained in Annex XXI to the present report.

(Decision 53/16)

(b) Bilateral cooperation

89. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/16, which contained two projects and activities submitted for approval by the Governments of France and Japan as bilateral cooperation. The purpose was to determine whether the amounts requested by the bilateral agencies were within the 20 per cent allowance for such activities, and it was concluded that they were. The project submitted by the Government of Japan was for a TPMP (second tranche) for Mongolia and was approved under blanket approval in agenda item 7(a).

90. The project submitted by the Government of France was related to the African customs enforcement networks for preventing illegal trade in ODS and was discussed in more detail under agenda item 7(d) with respect to amendments to UNEP's work programme for 2007 (see paragraphs 101-103). As the project had been submitted jointly by the Government of France and UNEP, the bilateral component of the project was approved under this agenda item.

91. The Executive Committee decided:

- (a) To approve the regional customs enforcement network for Africa submitted by the Government of France for one year only, at the funding level of US \$75,000 plus agency support costs of US \$9,750 on the understanding that:
 - (i) This was without prejudice to future funding approvals for the remaining year proposed for the project;
 - (ii) Disbursement would take place only when UNEP had provided the Secretariat with letters from the 38 countries confirming their interest and the commitment of their governments' customs representatives to the network;
 - (iii) UNEP and the Government of France would prepare a joint report on the output of the network's first year of operation with an emphasis on making its operation sustainable into the future;
- (b) To request the Treasurer to offset the costs of the bilateral projects approved at the 53rd Meeting as follows:
 - (i) US \$84,750 against the balance of France's bilateral contribution for 2007; and
 - (ii) US \$62,150 against the balance of Japan's bilateral contribution for 2007.

(Decision 53/17)

(c) Amendments to work programmes for 2007:

(i) UNDP

92. The representative of the Secretariat presented document UNEP/OzL.Pro/ExCom/53/17, which contained proposed amendments to UNDP's work programme for 2007. Ten activities had been recommended for blanket approval under agenda item 7(a). One activity, the proposal for funding project preparation for an MDI conversion project in Colombia, was put forward for individual consideration. It had been submitted pursuant to decision 52/25 in which the Executive Committee had decided to defer consideration of the project pending the presentation of a project proposal that fully met the justification for funding and the criteria set out in decision 51/34(c). The representative of the Secretariat reported that UNDP's request for the CFC MDI project preparation funding was supported by relevant documentation and information.

93. UNDP's work programme amendments also contained requests for funding the preparation of surveys on HCFC consumption for 12 countries. The Committee was advised that the Secretariat was unable to recommend approval of those requests in light of decision 51/5 of the Executive Committee and in the absence of clear guidelines on HCFC projects. Nevertheless, she indicated that the Executive Committee might wish to consider the surveys in light of decision XIX/6 of the Nineteenth Meeting of the Parties, and following the results of the discussion under agenda item 9.

94. In respect of the proposal for project preparation for an MDI conversion project in Colombia, some Members expressed their willingness to support the proposal, provided it included a commitment to counterpart funding from the company at a level of at least 50 per cent of the value of conversion. It would also be subject to the conditions that had been imposed at the 52nd Meeting on Mexico and India in respect of similar project requests.

95. Another Member said that his delegation could not support the project given that the initiation of production of MDIs in Colombia had occurred in the same year as the development of the country's NPP, which had not included MDI production. Moreover, he said that the conditions to justify the project had not been met. He stressed the importance of making it clear, particularly given that the Committee might be considering new modalities to move forward when dealing with HCFCs, that in order to reach sustained aggregate reductions in a country it was vital that new production did not commence after an NPP had been agreed. If such a situation were to arise, it should be made clear that there would be no additional funding available from the Montreal Protocol to address such production.

96. The Chair advised that the request for project preparation for the MDI conversion project in Colombia had been discussed at length at the 52nd Meeting and it appeared that, given the continued opposition, it would not be possible to approve the request. In light of that and the discussion on the projects submitted for blanket approval under agenda item 7(a), the Executive Committee decided:

- (a) Not to approve the request for project preparation for Colombia; and
- (b) Not to consider the HCFC surveys submitted by UNDP at the present Meeting.

(Decision 53/18)

(ii) UNEP

97. The representative of the Secretariat introduced UNEP's amendments to its work programme for 2007 (UNEP/OzL.Pro/ExCom/53/18), which contained 33 activities recommended for blanket approval under agenda item 7(a), 19 activities that would be considered under agenda item 7(d), Investment projects, and five projects to be considered individually under the present agenda item. Two were requests for renewal of institutional strengthening projects and three were requests for regional technical assistance projects.

98. The two institutional strengthening projects related to Guatemala and Tonga. At the time the proposals had been reviewed, neither country had submitted its report on implementation of its country programme or the accompanying country programme data, which meant that they could not be recommended for blanket approval. A report containing the required consumption data for Guatemala and Tonga had since been received, and the representative of the Secretariat indicated that the renewal of the institutional strengthening project for Guatemala was already approved under agenda item 7(a).

99. In response to a query concerning the progress that the Government of Tonga had made regarding other steps that a country was required to take before institutional strengthening could be renewed, the representative of the Secretariat confirmed that, as yet, Tonga had not

established a licensing system, although it was in the process of drafting such legislation, nor had it appointed a full-time ODS officer or submitted Article 7 data for 2006 to the Ozone Secretariat. Nevertheless, she pointed out that Tonga had reported zero consumption for at least the previous two years, including 2006, based on their country programme data.

100. One Member, however, thought that it was important to encourage the Government of Tonga to make progress in meeting the above requirements and suggested making disbursement of the requested funding contingent upon it doing so. The representative of UNEP pointed out that the amount of funding being sought had already been reduced because the Government of Tonga had yet to meet the requirements of decision 43/47. Another Member suggested that funding be approved at the full amount for one year pursuant to decision 43/47, at the level of US \$30,000, to provide an incentive for the country to meet those conditions, on the understanding that a reduced amount would be disbursed until those conditions had been met.

101. Introducing the proposed regional customs enforcement network for Africa, the representative of the Secretariat recalled that the project was being submitted jointly with the Government of France, and had also been addressed under agenda item 7(b), Bilateral cooperation (see paragraph 90 above). She outlined the project as contained in document UNEP/OzL.Pro/ExCom/53/16.

102. One Member said that, in the run-up to the year 2010, she was very concerned about budgetary resources being used on such a project that had been defined as “not required for compliance”. She proposed deferring consideration of the project until the Executive Committee had a clearer idea, nearer the end of the present 2006-2008 triennium, whether there would be sufficient resources left over for such projects once projects “required for compliance” had been approved.

103. The representative of UNEP said that the project assisted countries in setting up effective licensing systems, enforcing them, and in institutionalizing legislation as part of national and regional mechanisms. Several Members acknowledged the project’s potentially valuable contribution to countries’ compliance efforts.

104. Regarding the proposed intelligence-led enforcement initiative in the Regional Ozone Network for Europe and Central Asia (ECA network), the representative of the Secretariat explained that the project was intended to assist the ECA network by providing investigation and intelligence support – for data collection and the prevention of illegal trade in ODS – to three countries: Armenia, Kyrgyzstan and Turkmenistan. She clarified that, although all three countries had ODS licensing systems, Armenia and Turkmenistan had yet to ratify the Montreal Amendment.

105. As with the proposed regional customs enforcement network for Africa, one Member was very concerned that the project had been defined as “not required for compliance”. She once again proposed deferring consideration of the project until later in the triennium. It was also suggested that the objectives of the project were not very clear and required more work. Some Members questioned how assisting only three countries would benefit the entire ECA network.

106. The representative of UNEP said that by strengthening the enforcement systems in the three countries highlighted, which had been identified as hot spots for illegal trade, all the other countries in the region would benefit as illegal trade would be reduced. It was suggested,

however, that UNEP might be able to achieve the same objectives using funding already approved for the CAP programme. It could perhaps invite local customs officials and enforcement officers to attend the regular network meetings, thus reducing the costs incurred.

107. The representative of the Secretariat advised that UNEP was also seeking funding for the translation and outreach of existing Montreal Protocol-related policy, technical and awareness publications to Russian-speaking countries as well as other language groups in the ECA network. Given that such an activity was not included in UNEP's 2007 business plan, and that it seemed to constitute double funding within the context of the CAP's costs for global awareness raising, the Secretariat was not recommending approval of funding for the project. One Member agreed that the project should not have been submitted to the Executive Committee for approval as it was not in the 2007 business plan.

108. Following the discussion, the Executive Committee decided:

- (a) To approve funding year 2 for Phase II of the institutional strengthening project for Tonga at the level of US \$30,000 for one year, on the understanding that only US \$6,566 would be disbursed until the Government of Tonga had submitted Article 7 data for 2006, had appointed a full-time ODS officer and enacted a licensing system for ODS and to express to the Government concerned the views contained in Annex XXI to the present report;
- (b) To approve the regional customs enforcement network for Africa for one year only for UNEP at the level of funding of US \$160,000 plus support costs on the understanding that:
 - (i) It was without prejudice to future funding approvals for the remaining year proposed for this project;
 - (ii) That disbursement would take place only when UNEP had provided the Secretariat with letters from the 38 countries confirming their interest and commitment of their governments' customs representatives to this network; and
 - (iii) UNEP and the Government of France would prepare a joint report on the output of the network's first year of operation, with an emphasis on making its operations sustainable into the future;
- (c) To defer consideration of the intelligence-led enforcement support for the Regional Ozone Network for Europe and Central Asia (ECA) and to request UNEP to resubmit a more comprehensive proposal to the Executive Committee at a future Meeting;
- (d) To request UNEP to implement the project to translate and outreach existing Montreal Protocol policy and technical documents into Russian within their existing Compliance Assistance Programme budget pursuant to decision 47/24 by reprioritizing activities and funding.

(Decision 53/19)

(iii) UNIDO

109. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/19 containing the work programme amendments requested by UNIDO. She said that UNIDO was requesting funding for project preparation for the phase-out of methyl bromide in the post-harvest sector for Turkmenistan. The request was being submitted since Turkmenistan had received approval for a change in its methyl bromide consumption baseline at the Nineteenth Meeting of the Parties from zero to 14.3 ODP tonnes. In its discussions with UNIDO, the Secretariat had raised the fact that Turkmenistan had not yet ratified the Copenhagen Amendment.

110. In the ensuing discussions, while several Members agreed to the recommendation of the Secretariat, one Member pointed to the inconsistency with decision 46/12, where the Executive Committee had already decided not to provide funding for any other projects in Turkmenistan except for institutional strengthening. Another Member, however, proposed that since Turkmenistan's methyl bromide baseline was changed after decision 46/12 had been taken by a decision of the Meeting of the Parties, the resulting new situation justified the funds requested for project preparation.

111. UNIDO had also included a request for funding of an HCFC survey in Egypt as a response to paragraph 8 of decision XIX/6 of the Nineteenth Meeting of the Parties. The Secretariat had informed UNIDO that the request was ineligible in accordance with decision 51/15.

112. Following further discussion, the Executive Committee decided:

- (a) To approve project preparation funds for Turkmenistan at the funding level of US \$20,000, as indicated in Annex IV to the present report, on the understanding that funding would not be disbursed until Turkmenistan had submitted the instruments of ratification of the Copenhagen Amendment; and
- (b) Not to consider the HCFC surveys submitted by UNIDO at the present Meeting.

(Decision 53/20)

(d) Compliance Assistance Programme (CAP) budget and work programme for UNEP for the year 2008

113. The representative of the Secretariat introduced the CAP budget and work programme for UNEP for the year 2008 (UNEP/OzL.Pro/ExCom/53/20). UNEP was proposing a 2008 budget of US \$8,498,384 plus agency support costs of 8 per cent amounting to US \$679,871. This represented an overall 6.2 per cent increase on its 2007 budget, which was not in line with decision 47/24 of the Executive Committee. She said that UNEP had stated that the increase had been caused by rising salary costs, which were expected to increase by 8 per cent in 2008 because of changes in the cost of living at the different duty stations where the CAP teams were located, as well as fluctuations in the exchange rates between the United States dollar and local currencies. UNEP had also reported that all other non-salary costs had been kept to a 3 per cent increase, although analysis of its submissions showed that the overall increase was 4.7 per cent. She also said that UNEP's current budget showed insufficient reprioritization between budget

lines. The Secretariat was therefore unable to recommend the project at the level of funding requested.

114. While there was general acknowledgement of the importance of the activities being undertaken under the CAP, several Members expressed their concern at the proposed increase in CAP funding and said that it was important to comply with the 3 per cent increase provided for in decision 47/24. One Member was not convinced that UNEP's justification was sufficient to support the requested increase and encouraged UNEP to use its flexibility under the budget to reallocate and reprioritize its activities as necessary. Another Member asked for clarification on the impact of inflation on the regional CAP staff and others asked whether UNEP could guarantee that it would continue to implement its activities at a reduced budget.

115. The representative of UNEP explained that the CAP budget could be divided into two parts, staff and non-staff components. Staffing costs were affected by United Nations rules, dollar exchange rates and inflation and could not be kept below a 7.2 per cent increase. He reiterated that such costs were fixed. He also indicated that the other non-salary costs had in fact been kept at an increase of 3 per cent. He also emphasized that any reduction in the requested increases to the CAP budget would probably have an impact on CAP activities.

116. As no agreement could be reached on a way forward for UNEP's CAP budget, a contact group was established composed of Canada, Japan, Jordan, Sweden (facilitator) and the United States of America to discuss the issue with UNEP. In reporting back to the Meeting, the facilitator of the contact group summarized the discussions and said that the group had proposed two options for UNEP to consider. Under the first option, the contact group proposed that UNEP's request for a 6.2 per cent increase in the CAP budget for 2008 be agreed on the condition that the budget would be frozen at that level up to and including 2011. The second option was to follow the Secretariat's recommendation pursuant to decision 47/24 and allow a 3 per cent increase in the CAP budget.

117. The representative of UNEP agreed to the 3 per cent increase being proposed by the Executive Committee and said that it would provide additional information on its CAP budget to any interested parties.

118. Following a discussion, the Executive Committee decided:

- (a) To approve the Compliance Assistance Programme (CAP) budget, attached as Annex XXII to the present report, on the condition that UNEP submit to the Secretariat a revised budget in the amount of US \$8,243,090 plus agency support costs of 8 per cent amounting to US \$659,447, representing a 3 per cent increase on the previous year consistent with decision 47/24;
- (b) To request UNEP, in future submissions on the CAP budget, to continue:
 - (i) Providing detailed information on the activities for which the global funds would be used;
 - (ii) Extending the prioritization of funding between CAP budget lines so as to accommodate changing priorities and to provide details on the

reallocations made in its budget following Executive Committee decisions 47/24 and 50/26; and

- (c) To request UNEP to report on current staff post levels and to inform the Executive Committee of any changes therein particularly as they related to increased budget allocations.

(Decision 53/21)

(e) 2008 core unit costs for UNDP, UNIDO and the World Bank

119. The representative of the Secretariat presented document UNEP/OzL.Pro/ExCom/53/21, which contained information on the 2006 actual costs, the 2007 estimated costs, and the 2008 proposed core unit budgets. Information was provided for the main categories of administrative costs and the reasons for cost increases. He indicated that the Secretariat recommended approval of core unit costs at the levels requested, which were consistent with decision 46/35. He also reported that the contract for the independent assessment of the administrative costs for the 2009-2011 triennium was awaiting the signature of the Executive Director of UNEP.

120. Following the presentation, the Executive Committee decided:

- (a) To note the report on 2008 core unit costs for UNDP, UNIDO and the World Bank as presented in document UNEP/OzL.Pro/ExCom/53/21; and
- (b) To approve US \$1,803,530 for core unit funding for 2008 for UNDP, US \$1,803,530 for UNIDO, and US \$1,614,900 for the World Bank in accordance with decision 46/35 as reflected in Annex IV of the present report.

(Decision 53/22)

(f) Investment projects

Aerosol (MDIs)

China: Sector plan for phase-out of CFC consumption in the China MDI sector (UNIDO)

121. Introducing the project contained in document UNEP/OzL.Pro/ExCom/53/28, the representative of the Secretariat said that, on behalf of China, UNIDO had submitted a sector plan for the phase-out of CFC consumption in China's MDI sector, at a total cost of US \$22.3 million plus agency support costs. He explained that several issues had been discussed with UNIDO including: outstanding technological problems; the feasibility of stockpiling CFCs until those problems had been resolved; the relatively small number of active ingredients currently produced; and cost-related issues.

122. The Secretariat had proposed that UNIDO consider an alternative methodology for determining the incremental cost of the MDI sector plan in China. Based on that, the total level of funding proposed by the Secretariat would be US \$10.3 million, and the Government of China would have the flexibility to use the funding as it deemed appropriate in order to achieve the complete phase-out of CFCs in the MDI sub-sector. UNIDO had informed the Secretariat that

the Government of China had agreed to reduce the costs associated with product development and registration of the plants that had not produced MDIs in 2006. That had resulted in a reduction of some US \$1.5 million in the cost of the original proposal (US \$22.3 million), resulting in a total amount requested of US \$20.8 million.

123. In response to requests for clarification regarding the high operating costs and poor cost-effectiveness of the project in relation to similar projects approved in recent Meetings, the representative of UNIDO said that the situation in China was extremely complex, involving some 38 enterprises, 104 licences and 25 types of MDI, including ones using traditional Chinese medicine for which no alternatives were available. Nevertheless, the level of verified CFC consumption was low. He said that the Government of China and UNIDO had tried to reduce the costs but had had to factor in levels of compensation proportional to the enterprises' production levels.

124. Given the number of issues raised by Executive Committee Members concerning the high costs, the fact that several MDI plants had begun production as late as 2006, and the fact that the Government of China could still apply for critical-use exemptions in the future, an informal contact group was established to discuss the matter further.

125. After being advised by the facilitator of the contact group that the group had been unable to reach consensus, the Executive Committee decided:

- (a) To defer consideration of the sector plan for phase-out of CFC consumption in China's metered-dose inhaler (MDI) sector until the 54th Meeting; and
- (b) To request the Government of China and UNIDO to take into consideration industrial rationalization and cost-effectiveness when resubmitting a revised project proposal.

(Decision 53/23)

Mexico: Phase-out of CFC consumption in the manufacture of aerosol MDIs
(UNIDO)

126. The representative of the Secretariat introduced the project submitted by UNIDO, on behalf of the Government of Mexico, contained in document UNEP/OzL.Pro/ExCom/53/44, for a national transition strategy and an investment project proposal for the phase-out of 97 ODP tonnes of CFCs used in the manufacture of MDIs, at a total cost of US \$3.7 million plus support costs. The document provided detailed information on the MDI sector, the national transition strategy and the MDI manufacturing plant covered by the project. The Secretariat had discussed with UNIDO a number of issues related to *inter alia* the selection of alternative technologies, the scope and cost of the national transition strategy, and the adjustment to the NPP plan for Mexico approved at the 42nd Meeting. Agreement had been reached on the level of funding. The representative of the Secretariat also indicated that a letter had been obtained from the enterprise stating its commitment to completely phase-out CFC consumption and not to revert to the use of CFCs upon completion of the conversion project.

127. During the discussion, one Member said that a very thorough and detailed phase-out plan covering all CFC consumption had been approved for Mexico at the 42nd Meeting, and that she

could see no basis for setting aside a long-standing practice by reopening the agreement on the phase-out plan. Therefore, her delegation was not able to support approval of the project. The Chair suggested that given that the Executive Committee had already considered those issues when approving the request for project preparation for Mexico, a small group of interested Members should further consider the project.

128. After being advised of the outcome of further informal discussions with several Members of the Executive Committee, the Secretariat and UNIDO, the Executive Committee decided:

- (a) To approve the national transition strategy for the phase-out of CFC metered-dose inhalers (MDIs) and the project for the phase-out of CFC consumption in the manufacture of aerosol MDIs in Mexico at the amount of US \$2,630,503 plus agency support costs of US \$197,288 for UNIDO, on the understanding that no further funding would be provided for CFC-MDI conversion in Mexico;
- (b) To note that in respect of the adjustment required by paragraph (b) of Executive Committee decision 52/30 a total of US \$285,950 is to be deducted to eliminate double-counting of funds provided under the national phase-out plan approved by the Executive Committee at its 42nd Meeting as follows:
 - (i) US \$85,950 from the project for the phase-out of CFC consumption in the manufacture of aerosol MDIs mentioned in paragraph (a) above; and
 - (ii) UNIDO would return the remaining US \$200,000 plus agency support costs of US \$15,000 from the national phase-out plan to the 54th Meeting.

(Decision 53/24)

Halon

Sector plan for China halon phase-out: 2008 annual programme

129. The representative of the Secretariat presented the request for the annual tranche of the China halon plan, which was contained in document UNEP/OzL.Pro/ExCom/53/28. The tranche was recommended for approval at the amount indicated in the agreement. He said that the World Bank had provided information as an indicative budget (2007-2015) for how the undisbursed funds (amounting to US \$13 million) would be allocated in the future.

130. The sector plan for halon phase-out would end in 2015 rather than in 2010 and the World Bank and the Government of China had been examining the legal implications of the implementation of the halon sector plan in the post-2010 period. The representative of the Secretariat explained that, under the proposed recommendation, the World Bank and the Government of China would continue to report on the use of remaining unused funds until they were expended and were considering requesting the removal of paragraph (g) of decision 23/22, which requested China to endeavour to prevent exports of recovered/reclaimed halons to developed countries. He also indicated that UNEP had been asked to prepare a study on the challenges associated with halon banking (decision 52/27), and suggested that the Executive Committee might consider a request to remove the condition in paragraph (g) of decision 23/22 following completion of that study.

131. The representative of the World Bank stated that the agreements between the Executive Committee and the Government of China and between the Government of China and the World Bank were performance-based. The World Bank would consider the agreement completed when the production and consumption targets had been met, which would occur in 2010. Therefore, the Government of China and the World Bank were exploring options to ensure that reporting would continue after 2010, and required additional time as consultations were ongoing. He suggested some language changes to the proposed recommendation to reflect that.

132. Following the discussion, the Executive Committee decided:

- (a) To approve the request for funding for the China halon phase-out work programme for 2008, at the amount of US \$300,000 plus support costs for the World Bank of US \$22,500; and
- (b) To request the Government of China and the World Bank to continue to report on the use of the remaining unused funds until 2010 and to report back to the Executive Committee by the last Meeting of 2008 on a feasible reporting system for the years beyond 2010.

(Decision 53/25)

CFC phase-out plans

Cuba: National ODS phase-out plan for CFCs (UNDP)

133. The representative of the Secretariat, introducing the project for Cuba as contained in document UNEP/OzL.Pro/ExCom/53/29 and Corr.1. He said that the proposal had been presented for individual consideration because of the need to correct an error in the table contained in the agreement between the Government of Cuba and the Executive Committee, approved at the 43rd Meeting and amended at the 48th Meeting, with respect to the maximum allowable CFC consumption for 2008.

134. The Executive Committee decided:

- (a) To note that in the revised agreement between the Government of Cuba and the Executive Committee (Annex VIII to the report of the 48th Meeting (UNEP/OzL.Pro/ExCom/48/45)) the maximum allowable total consumption of CFCs for 2008 should be amended to read 93.8 ODP tonnes; and
- (b) To approve the third and fourth tranches of the national CFC phase-out plan for the refrigeration sector for Cuba at the amount of US \$641,000 plus agency support costs of US \$48,075 for UNDP (US \$461,000 plus agency support costs US \$34,575 for the 2006 annual implementation plan and US \$180,000 plus agency support costs of US \$13,500 for the 2007 annual implementation plan).

(Decision 53/26)

Djibouti: Terminal phase-out management plan (UNDP and UNEP)

135. The representative of the Secretariat introduced the TPMP for Djibouti submitted by UNEP as contained in document UNEP/OzL.Pro/ExCom/53/30. She said that the project aimed to phase out the country's remaining consumption of 3.1 ODP tonnes by the end of 2009 and that the TPMP represented the final phase-out in the country to allow it to comply with the 2010 CFC phase-out.

136. The Executive Committee decided:

- (a) To approve, in principle, the terminal phase-out management plan (TPMP) for Djibouti, at the amount of US \$138,000 plus agency support costs of US \$17,940 for UNEP and US \$147,000 plus support costs of US \$11,025 for UNDP;
- (b) To approve the agreement between the Government of Djibouti and the Executive Committee for the implementation of the TPMP as contained in Annex XXIII to the present report;
- (c) To urge UNEP and UNDP to take full account of the requirements of Executive Committee decisions 41/100 and 49/6 during the implementation of the TPMP; and
- (d) To approve the first tranche of the plan for funding as indicated in Annex IV to the present report.

(Decision 53/27)

Saudi Arabia: National phase-out plan (UNIDO and UNEP)

137. The representative of the Secretariat introduced the national phase-out plan (NPP) for Saudi Arabia submitted by UNIDO as contained in document UNEP/OzL.Pro/ExCom/53/52. He said that the project proposed to complete the phase-out of the country's remaining consumption of CFCs by the end of 2009. The plan's targets indicated that Saudi Arabia would have difficulties complying with its consumption limits under the Montreal Protocol for the years 2007 and 2008, and the Secretariat had advised UNIDO that it could not recommend a plan that could potentially place a country in non-compliance. UNIDO had subsequently formulated a revised proposal focusing on capacity-building and technical assistance to help Saudi Arabia to comply with its obligations. The revised proposal did not contain any phase-out targets and was based on the institutional and technical assistance elements prevented in the original proposal.

138. In the ensuing discussion, it was pointed out that the proposal was not consistent with the practices for such projects as it provided for a single disbursement without setting any targets and did not therefore constitute a performance-based agreement.

139. The Deputy Executive Secretary of the Ozone Secretariat observed that the Executive Committee and the Implementation Committee needed to respect each other's fields of operation. Although the Executive Committee played a role in helping countries to achieve compliance, it was for the Implementation Committee to review compliance. The Executive

Committee was an executive body and he felt that it should not approve a schedule that placed a Party in non-compliance. Only the Meeting of the Parties had the authority to approve such deviations from established practice.

140. Following a discussion, and informal consultations, a draft agreement was prepared and agreed with Saudi Arabia through UNIDO. This draft agreement changed the project into a performance based phase-out plan taking into account the issues raised regarding compliance. Subsequently, the Executive Committee decided:

- (a) To approve, in principle, the national phase-out plan (NPP) for Saudi Arabia at the amount of US \$1,835,000 plus agency support costs of US \$107,250 for UNIDO and US \$52,650 for UNEP on the understanding that approval was without prejudice to the operation of the Montreal Protocol's mechanism for addressing non-compliance;
- (b) To approve the agreement between the Government of Saudi Arabia and the Executive Committee for the implementation of the NPP as contained in Annex XXIV to the present report;
- (c) To urge UNEP and UNIDO to take full account of the requirements of Executive Committee decisions 41/100 and 49/6 during the implementation of the NPP;
- (d) To approve the biennial implementation plan for the years 2008 and 2009; and
- (e) To approve the first tranche of the plan at the level of funding indicated in Annex IV to the present report.

(Decision 53/28)

Togo: Terminal phase-out management plan: first tranche (UNEP and UNDP)

141. The TPMP for Togo contained in document UNEP/OzL.Pro/ExCom/53/55 was withdrawn.

Zambia: Terminal phase-out management plan (UNEP and UNDP)

142. The representative of the Secretariat presented the proposal for a TPMP for the phase-out of ODS in the refrigeration and air-conditioning sector submitted by UNEP on behalf of the Government of Zambia. The TPMP covered several activities and was proposed at a total cost of US \$295,000, which represented the maximum funding for a TPMP for that country.

143. He reported that, since the document had been issued, the Secretariat had reached agreement with UNEP on the funding and disbursement. The total amount of funding had been agreed at US \$245,000, which would be divided into two tranches, the first tranche being set at the level of US \$203,000. He indicated that the agreement took into account funds remaining under the country's RMP update, which was being implemented by the Government of Germany and covered activities that were similar to those in the TPMP. The Executive Committee might consider approving the first tranche of the TPMP, and the annual implementation plan for 2008.

144. Following the presentation, the Executive Committee decided:

- (a) To approve, in principle, the terminal phase-out management plan (TPMP) for Zambia at the amount of US \$245,000 plus agency support costs of US \$17,680 for UNEP and US \$9,810 for UNDP;
- (b) To note that the level of funding had been determined taking into account outstanding activities under the refrigerant management plan update implemented by Germany, and on the understanding that those activities would be coordinated between Germany and UNEP and were consistent with the needs identified in the project proposal;
- (c) To approve the agreement between the Government of Zambia and the Executive Committee for the implementation of the TPMP as contained in Annex XXV to the present report;
- (d) To urge UNEP and UNDP to take full account of the requirements of Executive Committee decisions 41/100 and 49/6 during the implementation of the TPMP; and
- (e) To approve the first tranche of the plan at the level of funding indicated in Annex IV to the present report.

(Decision 53/29)

Process agent

Brazil: Phase-out of CTC as process agent in two applications at Braskem (UNDP)

145. The representative of the Secretariat said that, on behalf of the Government of Brazil, UNDP had submitted to the Executive Committee at its 52nd Meeting a project for the phase-out of CTC as a process agent in two applications, with a small technical assistance component to ensure sufficient monitoring of CTC imports and destruction. The proposed project aimed to achieve the complete phase-out of CTC consumption in the country, apart from the quantities emitted and a small exemption for laboratory uses.

146. He recalled that the use of CTC in the elimination of NCl₃ in chlor-alkali production had been adopted as a process agent use by decision XIX/15 of the Nineteenth Meeting of the Parties. Brazil's Maceiro plant had been using destruction technology to eliminate emissions of CTC from the process and planned to use CTC for an additional period of five to six years before converting the facility, at its own cost, to a technology for which no CTC would be required. UNDP was requesting funding on the basis of the costs of upgrading the incinerator in 2002, and of the associated annual costs for the destruction from the time of the upgrade until the end of 2009.

147. The use of CTC as an energy reduction agent in the manufacture of vinyl chloride monomers had also been adopted as a process agent use by the Meeting of the Parties in decision XIX/15. In a plant in Camacari that used such an application, the discontinuation of CTC use

after 2000 had led to an increase in energy consumption. For that reason, retroactive funding was being requested for the years 2001 and 2002.

148. One Member said that the issues related to this project were extremely complex, and that he would be unable to come to a decision at the present Meeting as a number of them were first resolved. He said that Brazil had never provided the Ozone Secretariat with the annual report on its use of controlled substances as process agents, on the levels of emissions from those uses, and on the containment technologies used by them to minimize emissions of controlled substances, as required by decision X/14 of the Tenth Meeting of the Parties. It also appeared that the company concerned had made choices on the basis of its economic competitiveness rather than the Montreal Protocol. Given the choices made and the difficulty of verifying consumption levels, he was not convinced that the company was eligible for funding under the guidelines of the Executive Committee and decisions of the Meeting of the Parties.

149. In response, the representative of the Secretariat advised that, as the company had no import needs because of CTC stockpiles, the Government of Brazil had not deemed it to be a CTC user. He also said, with regard to retroactive funding, that there had been precedents for approving such funding requests, but that it was up to the Executive Committee to decide whether retroactive funding was justified in the present case. The representative of UNDP offered to provide interested Members with more information on the project before the 54th Meeting of the Executive Committee.

150. Following the discussion, the Executive Committee decided to defer consideration of the project to phase out CTC as process agent in two applications at Braskem, Brazil, until the 54th Meeting to allow time for consultations on the project to take place among interested parties.

(Decision 53/30)

China: Phase-out the production and consumption of CTC for process agent and other non-identified uses (phase I): 2008 annual programme (World Bank)

151. The representative of the Secretariat introduced the project for China as contained in document UNEP/OzL.Pro/ExCom/53/28. Approval for funding was being sought at the 53rd Meeting, with disbursement to take place in 2008.

152. The Executive Committee decided to approve the 2008 work programme of the China sector plan for phasing out the production and consumption of CTC and the consumption of CFC-113 as a process agent (25 applications) under phase I, at US \$3.0 million and associated support costs of US \$225,000, noting that the request for funding and support costs would be submitted by the World Bank to the 54th Meeting, together with a verification report on the implementation of the 2007 annual programme.

(Decision 53/31)

China: Phase-out the production and consumption of CTC for process agent and other non-identified uses (phase II): 2008 annual programme (World Bank)

153. The representative of the Secretariat introduced phase II of the project for China as contained in document UNEP/OzL.Pro/ExCom/53/28. The World Bank had informed the

Secretariat that it was the decision of the Government of China to revise the target from 14,300 ODP tonnes to 6,600 ODP tonnes for 2008 and 2009 as the maximum allowable consumption for CTC process agent applications not covered under phases I and II, in response to a decision of the Executive Committee at its 52nd Meeting.

154. The Executive Committee decided:

- (a) To amend the maximum allowable amount of CTC used in process agent applications listed in the interim table A-bis of decision XVII/8 of the Seventeenth Meeting of the Parties, and in potential future process agent applications as identified and reported by the Government of China, from the 14,300 ODP tonnes currently included in the Agreement on Phase II of the sector plan to 6,600 ODP tonnes in 2008 and 2009;
- (b) To approve the 2008 annual work programme for Phase II of the sector plan for phasing out CTC production and consumption for process agents at US \$10 million, and the associated support costs of US \$750,000, with the understanding that the request for funding and support costs would be submitted by the World Bank to the 55th Meeting, together with a verification report on the implementation of the 2007 annual programme.

(Decision 53/32)

Production sector

Argentina: Accelerated phase-out of CFC-11 and CFC-12 production (World Bank)

155. The representative of the Secretariat introduced the project for Argentina, recalling that it had been circulated intersessionally for approval in accordance with decision 52/47, under which the Committee had approved in principle US \$2.3 million to complete the CFC production phase-out in Argentina two years ahead of the original schedule for completion.

156. The representative of the World Bank reported that the disbursement schedule had been revised providing for US \$2.3 million to be released at the present Meeting with a further US \$1 million in both 2008 and 2009 upon completion of the relevant terms and conditions of the original agreement. He also informed the Committee that the verification report had been submitted in late October 2007, showing that total production was less than that allowed. With regard to the existing provision that no additional resources from the Multilateral Fund would be forthcoming for related activities for eventual closure of HCFC facilities that used existing CFC infrastructure, the Government of Argentina wished to confirm its concurrence with the provision with the understanding that if and when the Executive Committee decided in the future to finance those facilities, Argentina would be eligible and would be treated similarly to other Article 5 countries.

157. In response to a query regarding the standard project support cost rate of 7.5 per cent, which appeared too high for the accelerated phase-out project, the representative of the World Bank said that it was important to note that the World Bank had not received funds for preparation of the proposal and had already incurred expenses for its preparation and analysis. Further, disbursements would be made through a financial intermediary, with associated

management fees. The 7.5 per cent figure for support costs had been the standard level applied since a decision of the 38th Meeting and was used in the case of China's accelerated phase-out agreement.

158. The Executive Committee decided to approve:

- (a) The agreement for the accelerated phase-out of CFC-11 and CFC-12 production in Argentina as contained in Annex XXVI to the present report; and
- (b) The disbursement of US \$2.3 million and the amount of US \$172,500 in agency support costs for the World Bank.

(Decision 53/33)

China: Sector plan for CFC production phase-out: 2008 annual programme (World Bank)

159. The Executive Committee had before it document UNEP/OzL.Pro/ExCom/53/28, which contained a request by the World Bank for the approval of the 2008 annual work programme of the Agreement for the China CFC production sector. The request had been submitted on the understanding that approval of funding of US \$7.5 million plus US \$562,500 as support costs for the implementation of the 2008 programme would be requested at the first Meeting of 2008 on the condition that satisfactory performance was recorded for 2007, as per the Agreement.

160. On that basis, the Executive Committee decided:

- (a) To commend the Government of China and the World Bank for completing the CFC production phase-out in China two and a half years ahead of the Montreal Protocol control schedule; and
- (b) To approve the 2008 work programme of the China CFC production closure programme at the level of US \$7.5 million and associated support costs of US \$562,500, noting that the request for funding and support costs would be submitted by the World Bank to the 54th Meeting of the Executive Committee together with a verification report on the implementation of the 2007 annual programme.

(Decision 53/34)

Romania: Sector plan for production sector (fourth tranche) (UNIDO)

161. Introducing document UNEP/OzL.Pro/ExCom/53/49, the representative of the Secretariat said that the request was on the list of projects for individual consideration because the results of the verification of the CTC production in the two CTC plants in Romania in August 2007 had not provided adequate proof that the targets in the 2007 work plan had been achieved. The Secretariat was therefore not yet in a position to recommend the release of the funding for 2008. In addition, Romania had not yet submitted 2006 data for implementation of its country programme and, therefore, in accordance with decision 52/5 funding could not be approved.

162. Nevertheless, he recalled that, by decision XIX/19 of the Nineteenth Meeting of the Parties, Romania had been reclassified as a non-Article 5 country as of 1 January 2008. Given that Romania's new classification might create problems in terms of the country's access to the Multilateral Fund, UNIDO had brought its request for funding approval forward to the present Meeting. In light of that, and acknowledging the progress already made by the Government of Romania in achieving the targets for 2007, the Secretariat recommended that the Executive Committee approve the 2008 tranche, but withhold disbursement of the funding until UNIDO had verified the results for 2007 and had cleared them with the Secretariat.

163. The Executive Committee therefore decided:

- (a) To take note of the verification report submitted by UNIDO on the 2007 carbon tetrachloride (CTC) production and consumption as process agent until August 2007;
- (b) To approve the fourth tranche of funding of US \$1,200,000 for the implementation of the 2008 annual programme of the Agreement on the Romania ODS production sector and US \$90,000 as support costs to UNIDO, in view of the progress already achieved in establishing the CTC incinerator in Chimcomplex and the completion of the removal of the capability to produce CTC at Oltchim;
- (c) To request UNIDO to withhold disbursement until it had verified completion of the 2007 work programme and had cleared with the Secretariat that the targets for 2007 had been achieved; and
- (d) To request UNIDO to carry out the verification of the ODS production sector and the terminal phase-out of CTC for the process agent project in 2008 and 2009.

(Decision 53/35)

AGENDA ITEM 8: COUNTRY PROGRAMMES

164. The Executive Committee had before it documents UNEP/OzL.Pro/ExCom/53/58 and UNEP/OzL.Pro/ExCom/53/59, which contained the country programmes of Montenegro and Saudi Arabia, respectively.

165. The Executive Committee decided:

- (a) To approve the country programmes of Montenegro and Saudi Arabia on the understanding that the approvals did not denote approval of the projects identified therein or their funding levels and without prejudice to any actions that might be taken by the Ozone Secretariat in regard to 2006 consumption data submitted under Article 7 by the Government of Montenegro; and that the decision was without prejudice to any decisions that might be taken by the Parties following consideration by the Implementation Committee of future consumption data submitted under Article 7 by the Government of Saudi Arabia, or its request for a change of baseline for methyl bromide; and

- (b) To request the Governments of Montenegro and Saudi Arabia to report to the Executive Committee on the progress made in the implementation of the country programme annually, and that the first report should be submitted to the Secretariat no later than 1 May 2008.

(Decision 53/36)

AGENDA ITEM 9: OPTIONS FOR ASSESSING AND DEFINING ELIGIBLE INCREMENTAL COSTS FOR HCFC CONSUMPTION AND PRODUCTION PHASE-OUT ACTIVITIES (FOLLOW-UP TO DECISION 52/4)

Introduction

166. The representative of the Secretariat presented the discussion paper on options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities (follow-up to decision 52/4) contained in document UNEP/OzL.Pro/ExCom/53/60. He said that it was not the Secretariat's intent to propose solutions for all the issues relating to the funding of HCFC phase-out, but to suggest options that would provide a basis for discussion. It was agreed that the paper presented by the Secretariat was a useful first step for developing the policies and modalities necessary to achieve the 2013 freeze, but it was also felt that it might take several meetings to reach agreement on all the policy issues involved.

167. While some Members said that the issue of cost effectiveness had to be considered, others thought that the different sectors involved did not require different thresholds for cost effectiveness. Those costs might vary over time until 2030 and might need to be changed frequently. It was suggested that the production sector sub-group could be revived to consider the issue of HCFC production phase-out and that experts could be consulted as necessary. Some, however, felt that it was necessary to resolve the policy issues before consulting experts.

168. Some Members believed it important to incorporate HCFC surveys into the process of preparing HCFC phase-out management plans. Other said that HCFC surveys had to be undertaken in advance of the development of phase-out management plans. It was also observed that there was no definition of very low-volume-consuming countries and it was felt that the term needed to be defined so as to develop programmes tailored to their needs.

169. It was also suggested that some assistance might be required for the second stage of converting facilities from the use of HCFCs, perhaps in the form of technical assistance. One Member reminded the Meeting that double conversion of facilities had been discussed at the Nineteenth Meeting of the Parties, and said that those enterprises that had converted to HCFCs through the Multilateral Fund should not now be refused additional funding. One Member said that, as the 2013 freeze was fast approaching, it was important to give guidance to the TEAP task force on replenishment to consider for its study on the 2009-2011 replenishment.

170. Following the general discussion on the proposals contained in document UNEP/OzL.Pro/ExCom/53/60, the Chair proposed that the Executive Committee consider each section of the document in turn.

Legal prerequisite for assessing Multilateral Fund funding for HCFC phase-out

171. The Chair introduced paragraphs 5 to 7 of document UNEP/OzL.Pro/ExCom/53/60 on the legal prerequisite for assessing Multilateral Fund funding for HCFC phase-out. The Secretariat had recommended that ratification of, or accession to, the Copenhagen Amendment should be the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out HCFC consumption, and that ratification of, or accession to, the Beijing Amendment should be the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out HCFC production. The Secretariat had also proposed that, in the case of a non-signatory country, the Executive Committee might wish to consider providing funding to conduct an HCFC survey and to prepare an accelerated HCFC phase-out management plan, as long as it had the commitment of the government to ratify the necessary Amendment within the next 12 months. No further funding would be available until that commitment had been fulfilled.

172. In the discussion that followed, one Member suggested that the 12-month period should not be included and that it should be stated explicitly that no further funding would be available until the instrument of ratification or accession had been submitted to the United Nations Headquarters. As several Members opposed that suggestion, the Chair said that another alternative would be to state that no further funding would be available until the Ozone Secretariat had confirmed that the amendment had been ratified.

173. The representative of China said that his Government had not yet acceded to the Beijing Amendment because of difficulties with the Chinese version of the text. It was currently engaged in consultations with the United Nations Office of Legal Affairs, and as the matter was taking time to conclude, he hoped that the special situation of China would be taken into account.

Continued applicability of the existing policies and guidelines of the Multilateral Fund in funding phase-out of ODS other than HCFCs

174. The Chair introduced paragraphs 8 to 10 of document UNEP/OzL.Pro/ExCom/53/60 on the continued applicability of the existing policies and guidelines of the Multilateral Fund in funding phase-out of ODS other than HCFCs.

175. One Member expressed general support for the Secretariat's recommendation in the discussion paper, provided that the applicability of existing policies and guidelines of the Multilateral Fund to the funding of HCFC phase-out took into account paragraph 11 of decision XIX/6 of the Nineteenth Meeting of the Parties. Another Member said that not only should the experience and activities put into place during the phase-out of CFCs be taken into account, but the capacities and infrastructure created should be utilized too. Another Member thought that there was a need not only to apply practical guidelines but also to innovate where past guidelines might no longer be applicable.

176. The Chair suggested that the existing policies and guidelines of the Multilateral Fund in funding the phase-out of ODS other than HCFCs should be applicable to the funding of HCFC phase-out unless otherwise decided by the Executive Committee, taking into account, in particular, decision XIX/6 of the Nineteenth Meeting of the Parties. That should allow the Executive Committee the flexibility to modify its guidelines.

Accelerated HCFC phase-out management plans and HCFC surveys

177. The Chair introduced paragraphs 11 to 18 of document UNEP/OzL.Pro/ExCom/53/60 on accelerated HCFC phase-out management plans and HCFC surveys. The proposed recommendation was for the Secretariat to submit draft guidelines to the 54th Meeting of the Executive Committee for the preparation of HCFC phase-out management plans, taking into account the possibility of incorporating HCFC surveys, establishing a national HCFC consumption/production ceiling prior to the establishment of a baseline, and proposing a time frame and modality for the implementation of the HCFC phase-out management plans.

178. One Member stressed the importance of capturing the spirit of decision XIX/6 of the Nineteenth Meeting of the Parties with respect to addressing up to 80 per cent of the benefits for the climate when looking at management plans and alternatives. Methods to minimize the impact on the climate therefore needed to be taken into account. The Member noted that it was important to learn from experience in converting from the use of CFCs to HCFCs and avoid sending out the wrong signal by undermining other efforts to protect the climate.

179. Another Member suggested that, given the decision on HCFCs taken at the Nineteenth Meeting of the Parties, the Executive Committee was offering the opportunity for Article 5 countries to accelerate phase-out activities by funding the development of a survey and a management strategy if governments were committed to ensuring that the result of that survey would be used to set a cap for aggregate, sustained reductions. With respect to establishing a national HCFC consumption/production ceiling, two Members did not believe that it would be possible to establish a consumption ceiling prior to establishing a baseline.

180. One Member expressed concern with respect to the delay involved in presenting proposals to the 54th Meeting of the Executive Committee, given that management plans and studies would not be approved until the 55th Meeting. Another Member supported the guidelines for management plans, but suggested that the Executive Committee endorse the idea of surveys at the present Meeting, and that the Secretariat develop guidelines on HCFC phase-out management plans to be presented to the 54th Meeting of the Executive Committee.

181. Another Member said that, if the Secretariat was going to prepare draft guidelines, it should take into account the fact that Article 5 countries needed to take action as soon as possible in order to implement plans to accelerate HCFC phase-out and to develop national plans, including adjusting the relevant legal and policy framework, collecting data, carrying out studies, considering sector-specific phase-out strategies and, where necessary, readjusting industrial policy. The Member suggested that the Executive Committee approve the phase-out management plans as soon as possible, along with demonstration projects.

182. Several Members expressed support for the Secretariat drafting guidelines on the preparation of HCFC management plans for the 54th Meeting of the Executive Committee. One Member said that those plans should identify the strategies and assistance required to meet the consumption freeze and to achieve the subsequent reductions and phase-out. It was also suggested that they should highlight the most efficient and cost-effective way of meeting the freeze and consider how it might be done by avoiding consumption growth, and through a licensing system. One Member stressed the importance of licensing, reminding the Executive Committee that there was an obligation for all Article 5 countries to have established licensing systems for HCFCs by 1 January 2005, in accordance with the Montreal Amendment.

Funding priority and cost-effectiveness thresholds

183. The Chair introduced paragraphs 19 to 25 of document UNEP/OzL.Pro/ExCom/53/60 on funding priority and cost-effectiveness thresholds and asked the Executive Committee to consider requesting the Secretariat to convene an expert group to examine ways to develop new cost-effectiveness thresholds for funding HCFC phase-out, using existing thresholds as a basis. One Member requested that the expert group include representatives of the implementing agencies. Several Members said that they were not in favour of convening an expert group because, in their view, more policy discussion was required within the Executive Committee. Instead it was suggested that a paper was required to guide the Executive Committee.

184. The Chair asked the Members of the Executive Committee if there were any elements other than those listed in paragraph 24 of the document that they would like to see included in any guidance document that might be prepared by the Secretariat. Among the issues suggested were: the types of incentives that might exist; new ways of leveraging support; and the possibility of establishing private-public partnerships.

185. Some Members felt that it was not useful to try to estimate cost-effectiveness thresholds at the present time because there were so many unknowns. It was also pointed out that the most cost-effective technologies might not necessarily be those most beneficial in terms of minimizing climate change.

186. Owing to the work load already imposed on the Secretariat, it was felt that the cost-related study could be submitted to the Committee by 25 March 2007.

Low-volume consuming (LVC) countries and small and medium-sized enterprises (SMEs)

187. The Chair introduced paragraphs 26 to 31 of document UNEP/OzL.Pro/ExCom/53/60 on LVC countries and SMEs. In the discussion that followed, Members considered the definition of LVC countries and very-low-volume-consuming countries, and it was pointed out that the present classification of LVC countries had been based on CFCs, and that perhaps reclassification should be carried out with regard to HCFCs. It was also emphasized that the specific situation of very-low-volume-consuming countries should be taken into account.

Cut-off date for funding eligibility

188. The Chair introduced paragraphs 32 to 35 of document UNEP/OzL.Pro/ExCom/53/60 on the cut-off date for funding eligibility. The Secretariat had proposed three possible cut-off dates: the day before the 53rd Meeting of the Executive Committee (25 November 2007); 31 December 2009 (the end of the first year of the two years for calculating the baseline); and the date on which substitutes became available.

189. One Member felt that setting a cut-off date could place restrictions on the phase-out process and would lead to inconsistencies in practice between the Fund and other agencies. An alternative would be to allow all consumption up to the end of the 2009-2010 baseline as eligible, and it would be for countries to decide if they wished to cut off consumption at an earlier date.

190. Several Members were against choosing 2010, or indeed any date later than 2007, as the cut-off date, to avoid creating disincentives to reduce consumption and production such as encouraging establishment of new facilities or to maximizing consumption in the run-up to the cut-off date. One Member also suggested that different substances might have different cut-off dates. Another Member was against choosing any date earlier than September 2007 as the cut-off date. There was also discussion of whether the cut-off date referred to the establishment of capacity or to the actual initiation of production. The Co-Chair of the TEAP explained, however, that with other ODS it was the date that capacity had been established, even if production had not yet begun.

191. Another Member said that some equity issues had arisen regarding eligibility. A major producer had taken the step of capping the amount of HCFC production at 2000 levels, and another environmental forum had decided to pay for the destruction of by-products from HCFC-22 production, creating a market incentive for its overproduction and changing the global market. That presented a strong rationale not to make the Fund responsible for artificially lowered prices and changed markets. Other possible dates mentioned were 2005 when HCFCs had first been put on the international agenda, the date of the Nineteenth Meeting of the Parties in 2007, and 2003 used by the CDM.

192. Members of the Executive Committee were unable to reach consensus regarding the cut-off date. It was therefore suggested that Members submit their views on the matter to the Secretariat and that the Secretariat make those submissions available to the Committee at its 54th Meeting to facilitate further consideration of the matter.

193. With respect to guidance for the replenishment study, it was suggested that the TEAP could examine the various possible dates in parallel with the Executive Committee. The issue was of relevance to the work of the TEAP task force on replenishment.

Second-stage conversions

194. The Chair introduced paragraphs 36 to 42 of document UNEP/OzL.Pro/ExCom/53/60 on second-stage conversions. The Secretariat recommended that, in the process of developing HCFC phase-out management plans, implementing agencies and the NOUs concerned should include a survey of the enterprises that had converted to HCFCs with the assistance of the Multilateral Fund, indicating in particular the year of the conversion, the technology currently used, the capacity at the time of conversion, the level of HCFC consumption in the previous years, and the replacement technology and planned time for the next conversion. The Secretariat also recommended that, to facilitate re-examination of the issue, it should consolidate the results of the national surveys and report to the Executive Committee at its second meeting in 2009.

195. Some Members said that the agreement at the Nineteenth Meeting of the Parties to accelerate the phase out of HCFCs had been conditional on the agreement to fund second-stage conversions. Those conversions needed to be funded. Other Members said that while it might be necessary to provide some level of assistance for the second-stage conversion of facilities from the use of HCFCs, that assistance could take the form of technical assistance. There were several contributions on how best to gather information on the companies that had previously been beneficiaries of the Multilateral Fund and it was suggested that a desk study should be done based on historical records and reports held by the Fund Secretariat on projects that phased in HCFCs.

196. It was also proposed that the Members of the Executive Committee submit their views on second-stage conversions to the Secretariat by 15 January 2008, on the understanding that the Secretariat would make those submissions available to the 54th Meeting of the Executive Committee.

Funding HCFC production phase-out

197. The Chair introduced paragraphs 43 to 48 of document UNEP/OzL.Pro/ExCom/53/60 on funding HCFC production phase-out. There was general agreement that the production sector sub-group should be reconvened to consider the issues relating to HCFC production phase-out starting at the 54th Meeting of the Executive Committee. Members discussed whether the sub-group should use the five issues stipulated in paragraph 59 of the document as a basis for its deliberations.

198. In response to a suggestion that the Secretariat prepare a paper to assist the sub-group in its deliberations, the representative of the Secretariat said that there were two possibilities: the Secretariat could produce a paper outlining the steps taken in the past with regard to CFC production phase-out, or it could produce a more forward-looking document on issues relating specifically to HCFCs. For the latter, the Secretariat might need to consult experts.

199. In general, Members were not in favour of being too specific regarding the topics that they would ask the production sector sub-group to consider. Consequently, some Members wished to record their understanding that (i) there was a need to account for the impact of funding of HFC-23 destruction on the production of HCFC-22 and (ii) the dual uses of HCFC-22 for emissive use and as a feedstock would be among the issues considered by the production sector sub-group, as they were relevant to the HCFC production sector. One Member expressed the view that HFC-23 destruction should not be considered as a key issue during discussions on HCFC production phase-out as it was regulated under another convention.

200. Another Member was keen to highlight the relevance of paragraphs 11 and 15 in decision XIX/6 of the Nineteenth Meeting of the Parties in guiding the deliberations of the production sector sub-group, whereas others preferred to ask the sub-group to take into account the decision in its entirety, considering other paragraphs to be equally relevant to the production sector. One Member pointed out the need for enterprises to be adequately compensated for phasing out HCFC production given the risks that were involved in developing alternatives.

201. At the conclusion of the discussion on options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities, the Executive Committee decided:

- (a) That ratification of or accession to the Copenhagen Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the consumption of HCFCs;
- (b) That ratification of or accession to the Beijing Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the production of HCFCs;

- (c) That, in the case of a non-signatory country, the Executive Committee might consider providing funding for conducting an HCFC survey and the preparation of an accelerated HCFC phase-out management plan, with the commitment of the government to ratify or accede to the necessary Amendment and on the understanding that no further funding would be available until the Ozone Secretariat had confirmed that the government had ratified or acceded to that Amendment, through the deposit of its instrument in the Office of the United Nations Headquarters in New York;
- (d) That the existing policies and guidelines of the Multilateral Fund for funding the phase-out of ODS other than HCFCs would be applicable to the funding of HCFC phase-out unless otherwise decided by the Executive Committee in light of, in particular, decision XIX/6 of the Nineteenth Meeting of the Parties;
- (e) That institutions and capacities in Article 5 countries developed through Multilateral Fund assistance for the phase-out of ODS other than HCFCs should be used to economize the phase-out of HCFCs, as appropriate;
- (f) That stable and sufficient assistance from the Multilateral Fund would be provided to guarantee the sustainability of such institutions and capacities when deemed necessary for the phase-out of HCFCs;
- (g) That the production sector sub-group would be reconvened at the 55th Meeting to consider issues pertaining to the phase-out of HCFC production, taking into account decision XIX/6 of the Nineteenth Meeting of the Parties and the following issues, as well as further elaboration and analysis of those issues to be prepared by the Secretariat in consultation with technical experts:
 - (i) The continued applicability of the current approach to funding HCFC production phase-out being based on the assumption of plant closures;
 - (ii) The timing of funding HCFC production phase-out in view of the long duration between the HCFC freeze in 2013 and the final phase-out in 2030, taking into consideration that production and consumption phase-out could take place simultaneously;
 - (iii) The eligibility of the CFC/HCFC-22 swing plants in view of the commitment in the CFC production phase-out agreement not to seek funding again from the Multilateral Fund for closing down HCFC facilities that use the existing CFC infrastructure;
 - (iv) The cut-off date for funding eligibility of HCFC production phase-out;
 - (v) Other measures that could facilitate management of HCFC production phase-out; and
 - (vi) Other issues related to the HCFC production sector, taking in account subparagraph (g)(ii) above.

- (h) That the Secretariat would work with the implementing agencies to examine the existing guidelines for country programmes and sector plans (decision taken at the 3rd Meeting of the Executive Committee and decision 38/65), and propose draft guidelines to the 54th Meeting for the preparation of HCFC phase-out management plans incorporating HCFC surveys, taking into consideration comments and views relating to such guidelines expressed by Executive Committee members at the 53rd Meeting and the submissions to the 54th Meeting referred to in paragraph (l) below, and that the Executive Committee would do its utmost to approve the guidelines at its 54th Meeting;
- (i) That the Secretariat, in consultation with technical experts with knowledge of experiences in Article 5 countries with different levels of development and non-Article 5 countries, would prepare by 25 March 2008 a preliminary discussion document providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out, taking into account the views expressed by Executive Committee Members in the submissions referred to in paragraph (l) below, and including:
 - (i) Information on the cost benchmarks/ranges and applicability of HCFC substitute technologies; and
 - (ii) Consideration of substitute technologies, financial incentives and opportunities for co-financing which could be relevant for ensuring that the HCFC phase-out resulted in benefits in accordance with paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
- (j) That the current classifications of low-volume-consuming (LVC) countries and small and medium-sized enterprises (SMEs) should be maintained until the cost-effectiveness thresholds of HCFC phase-out had been developed and the potential impact of those thresholds on LVC countries and SMEs had become better known. It would then be possible to review those classifications including a classification for very low-volume consuming countries, and current policies and funding arrangements targeting those countries and enterprises;
- (k) To note that the following cut-off dates for funding HCFC phase-out had been proposed:
 - (i) 2000 (Cap of HCFC production/consumption in one major country);
 - (ii) 2003 (Clean Development Mechanism);
 - (iii) 2005 (proposal for accelerated phase-out of HCFCs);
 - (iv) 2007 (Nineteenth Meeting of the Parties);
 - (v) 2010 (end of the baseline for HCFCs);
 - (vi) Availability of substitutes;

- (l) As a matter of priority, and taking into account paragraphs 5 and 8 of decision XIX/6 of the Nineteenth Meeting of the Parties, to invite Executive Committee Members to submit their views on the following issues to the Secretariat, by 15 January 2008, with the understanding that the Secretariat would make the submissions available to the 54th Meeting:
- (i) Elements the Secretariat should consider in the draft guidelines for the preparation of national HCFC phase-out management plans;
 - (ii) Cost considerations to be taken into account by the Secretariat in preparing the discussion document referred to in paragraph (i) above;
 - (iii) Cut-off date for funding eligibility; and
 - (iv) Second-stage conversions;
- (m) To approve 2008 expenditure of up to US \$150,000 to cover the costs of consultations with technical experts and other stakeholders required for the preparation of the documents referred to in the present decision.

(Decision 53/37)

AGENDA ITEM 10: PAPER ON CONCERNS RELATING TO THE SLOW RATE OF PROJECT COMPLETION AND OPTIONS TO ADDRESS THE ISSUE (FOLLOW-UP TO DECISION 52/8(c))

202. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/53/62, which was a policy paper on issues raised in the context of the annual progress reports related to project completion dates. It had been prepared by the Secretariat, in cooperation with the implementing agencies. The document analysed reasons for delays, one being the possibly over-optimistic forecasts by agencies with respect to their completion dates because those were forecast over seven months in advance. After discussions with the implementing agencies, the representative of the Secretariat proposed that planned completion dates for ongoing projects could usefully be submitted for consideration at the last Meeting of the year in order to forecast project completion more accurately.

203. Following a request for clarification from one Member with respect to the link to annual progress reports, the representative of the Secretariat confirmed that the intent was to continue the existing practice of providing planned completion dates within annual progress reports at the second Meeting of the year and to revise the completion dates in those progress reports, as necessary, at the last Meeting of each year.

204. Following the discussion, the Executive Committee decided:

- (a) To note the paper on concerns relating to the slow rate of project completion and options to address the issue (follow-up to decision 52/8(c)) as contained in document UNEP/OzL.Pro/ExCom/53/62; and

- (b) To request bilateral and implementing agencies to provide planned completion dates for ongoing projects at the last Meeting of the Executive Committee each year.

(Decision 53/38)

AGENDA ITEM 11: PAPER ON OPTIONS FOR POSSIBLE FUNDING ARRANGEMENTS AND LEVELS FOR INSTITUTIONAL STRENGTHENING SUPPORT BEYOND 2010, AND ON OPPORTUNITIES TO FINE-TUNE THE INSTITUTIONAL STRENGTHENING RENEWAL PROCESS (FOLLOW-UP TO DECISIONS 47/49 AND 49/32)

205. The representative of the Secretariat presented the paper on options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process (follow-up to decisions 47/49 and 49/32) contained in document UNEP/OzL.Pro/ExCom/53/61. The policy paper provided a brief review of the current funding arrangements for IS projects and explored opportunities for streamlining IS renewal requests. It focused on the activities of the NOUs prior and up to 2010 to meet CFC phase-out, and projected activities of the NOUs beyond 2010 to meet control measures for other substances and accelerated HCFC phase-out. It also considered the current process by which IS renewals were submitted for consideration by the Executive Committee, as well as the possible future levels of funding to support IS projects. She said that support from the Multilateral Fund for IS projects should be maintained at levels similar to current ones because the remaining activities in NOUs needed to support phase-out objectives after 2010 would be similar to those required to meet CFC phase-out goals.

206. One Member expressed support for the recommendations made in the policy paper, particularly on the evaluation of IS projects. It was suggested that a review of the level of funding needed to be made and that such a study be expedited and included as part of the monitoring and evaluation work programme. The initial evaluation could be funded at a level of US \$30,000 for a desk study to be presented to the 55th Meeting of the Executive Committee for review, to include terms of reference for a full evaluation, which would be tabled in 2009. Several Members commented on the important role of the NOUs in carrying out activities that enabled Parties to comply with the Montreal Protocol and the phase-out of ODS, and considered that the IS activities should take into account the future challenges and workload that would be faced by NOUs with respect to future demands related to HCFC phase-out.

207. One Member noted, with respect to funding, that a previous decision of the Executive Committee (decision 43/37) allowed very low-volume-consuming countries (VLVCs) to access US \$30,000 for IS projects provided that they met certain requirements, for example, having a national ODS licensing system controlling ODS imports in place and a full-time ODS Officer. The Member considered that the decision might need to be revisited in order to allow VLVC countries to access this funding level before they met the requirement for a full-time ODS officer in order for VLVC countries to meet future commitments related to accelerated phase-out of HCFCs.

208. One Member agreed that an IS evaluation and a detailed review by the Secretariat should be expedited and said that he would like to see the results of the studies before an agreement on continued funding for IS post-2010 could be reached. He emphasized that the evaluation and analysis should look at the contribution of the IS projects to compliance, their current institutional structure, and in relation to other capacity-building assistance received by the countries from other national phase-out projects. Members agreed that the issues related to the NOUs, existing levels of funding and other issues, could be covered in the desk study on IS, which would be conducted by the Senior Monitoring and Evaluation Officer. The Secretariat's analysis, on the other hand, would look at future levels of funding of IS and other requirements.

209. The representative of the Secretariat pointed out that, while in decision 47/49 the Executive Committee had already agreed that existing IS measures met the needs of Article 5 countries up to 2010, a decision on whether funding beyond 2010 should be maintained for IS projects had to be taken. In response to queries from the Committee concerning the timing of the study and analysis, the Chief Officer indicated that the evaluation to be undertaken by the Senior Monitoring and Evaluation Office would be completed by the last meeting in 2008, while the Secretariat's analysis, which would take into account the findings of the evaluations as endorsed by the Executive Committee, would be presented to the Executive Committee by the first Meeting in 2009.

210. After discussing the recommendations in the policy paper, as the Executive Committee was unable to reach agreement on a way forward on the issue, the Chair established a contact group with the representative of the Czech Republic as facilitator. During discussion of the text proposed by the contact group, some Members reiterated the importance of IS with respect to capacity building and noted that future challenges would likely require enhanced levels of funding for IS. Some Members further indicated that it was important to send a clear signal to Article 5 countries that their IS activities would be maintained post-2010 while recognizing the scope of the challenges that lay ahead. In order to recognize those challenges, one Member proposed adding language to the text from the contact group taking into account decision XIX/6 of the Nineteenth Meeting of the Parties.

211. The Chair, after noting that there was agreement on paragraph 30(b) of the Secretariat's recommendation contained in document UNEP/OzL.Pro/ExCom/53/61, emphasized that the earlier completion of the studies provided an opportunity to take a decision on funding levels for IS well in advance of the end of 2010. He suggested that paragraph 30(c) of the recommendation was no longer necessary as it was covered under agenda item 6(a)(iii), draft monitoring and evaluation work programme for the year 2008.

212. Following the discussion, the Executive Committee decided:

- (a) To note that the anticipated actions required by Article 5 countries to meet compliance obligations after 2010 provided an indication that funding support for institutional strengthening would likely be needed after 2010 and that possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined taking into account paragraph (b) below, especially in light of decision XIX/6 of the Nineteenth Meeting of the Parties, which imposed new obligations with respect to an accelerated HCFC phase-out;

- (b) To request the Secretariat to review possible funding arrangements and levels for capacity building, to explore the extent, nature and eligibility of any additional measures that might be considered for funding by the Executive Committee to address activities for HCFC phase-out consistent with guidelines pertaining to institutional strengthening activities to be agreed by the Executive Committee and to report to the Executive Committee by the first Meeting of 2009.

(Decision 53/39)

AGENDA ITEM 12: REPORT ON THE OPERATION OF THE EXECUTIVE COMMITTEE (FOLLOW-UP TO DECISION 50/41)

213. The Executive Committee had before it document UNEP/OzL.Pro/ExCom/53/63, which was submitted as a follow-up to decision 50/41, in which the Committee decided to revisit the issue of the number of Executive Committee meetings at its 53rd Meeting in light of the guidance given by the Nineteenth Meeting of the Parties.

214. The representative of the Secretariat said that the document presented the Executive Committee with two options: either to maintain the status quo of three meetings per year or to have two regular meetings with the provision of another special meeting on HCFCs. He said that the analysis had been limited to the years 2008 and 2009 because the Secretariat had been unable to provide a meaningful assessment of the impact of an HCFC funding programme on the workload of the Executive Committee beyond 2009.

215. Following a discussion, the Executive Committee decided to defer consideration of the issue until the 54th Meeting of the Executive Committee.

(Decision 53/40)

AGENDA ITEM 13: ACCOUNTS OF THE MULTILATERAL FUND:

(a) Final 2006 accounts

216. The Executive Committee had before it document UNEP/OzL.Pro/ExCom/53/64, which contained the final 2006 accounts of the Fund, including the provisional 2006 accounts of the implementing agencies. The agencies had submitted their accounts to the Treasurer in September 2007 and had formed part of the UNEP financial statements for 2006 that had been audited by the United Nations Board of Auditors. The Treasurer said that, in their report, the Board of Auditors had noted the large number of contribution receivables that had been outstanding for some years. The auditors had therefore recommended that the attention of the Meeting of the Parties should once again be drawn to the necessity of declaring as bad debts the longest-standing and largest debt balances.

217. The Executive Committee decided:

- (a) To note the audited financial statement of the Multilateral Fund as at 31 December 2006;

- (b) To note the auditors' request that the attention of the Meeting of Parties should once again be drawn to the necessity to declare as bad debts the longest-standing and largest debit balances;
- (c) To request the Treasurer to advise the auditors to treat as closed their observations and recommendation on long-outstanding debts, considering the fact that the Executive Committee had already drawn the Parties' attention to the matter in its report to the Nineteenth Meeting of the Parties; and
- (d) To request the Treasurer to record in the 2007 accounts the differences between the agencies provisional and final 2006 accounts as reflected in Tables 1 and 2 of document UNEP/OzL.Pro/ExCom/53/64.

(Decision 53/41)

(b) Reconciliation of the 2006 accounts

218. The Executive Committee had before it document UNEP/OzL.Pro/ExCom/53/65, which contained the results of the reconciliation exercise for the 2006 accounts. The adjustments were described in Tables 1 and 2 of Section IV of the document, which provided a summary of the adjustments to be made by the agencies and the Treasurer to the 2006 accounts. The representative of the Secretariat said that, with those adjustments, the reconciliation of the 2006 accounts had been completed, with the exception of UNEP, which needed to review its records on approved projects to explain a discrepancy of US \$6,060 in comparison with the Secretariat's Inventory of Approved Projects. UNEP also needed to explain the discrepancy of US \$105,494 recorded in its financial statement and not in its progress report.

219. She also said that it appeared that the implementing agencies did not report expenditures on project support costs in the same way in their financial statements and in their progress reports. It was therefore recommended that, in order to facilitate future reconciliation exercises, the Treasurer should look at ways in which the implementing agencies reported expenditures on programme support costs in the progress reports and in the financial statements and report back to the Executive Committee at its 54th Meeting.

220. One Member said that it appeared from the report that there was no disagreement between the implementing agencies, the Treasurer and the Fund Secretariat on any part of the reconciliation exercise and suggested that, in such cases, there was no need to report to the Executive Committee on the reconciliation exercise. However, the Treasurer stated that, even when no disagreements arose during the reconciliation exercise, the Executive Committee still needed to be made aware of the results of the reconciliation exercise and to endorse any agreements reached during the course of the reconciliation.

221. Following the discussion, the Executive Committee decided:

- (a) To note the reconciliation of 2006 accounts as presented in document UNEP/OzL.Pro/ExCom/53/65;

- (b) To request UNEP to review the Inventory of Approved Projects figures versus progress reports and to make corrections according to the approvals recorded in the reports of the Executive Committee;
- (c) To request UNEP to present to the 54th Meeting of the Executive Committee a report on its findings on reconciling the amount of US \$105,494 and the actions it proposed to take to reconcile the data in its progress report with that in its final financial statement;
- (d) To note the explanations of UNDP, UNIDO and the World Bank on the expenditures of the programme support costs in respect of approved projects, and to request UNEP to do the same at the 54th Meeting so as to enable a better understanding of expenditures incurred against the agency's programme support costs;
- (e) To request the Treasurer to report to the 54th Meeting on the methodology used by the implementing agencies when reporting on expenditures incurred against the programme support costs for approved projects;
- (f) To request the World Bank to provide an explanation of the US \$303 excess income in order to offset that amount against future transfers, if required; and
- (g) To request the Treasurer and the agencies to make the adjustments required in the 2007 accounts as a result of the 2006 reconciliation exercise as reflected in Tables 1 and 2 of document UNEP/OzL.Pro/ExCom/53/65.

(Decision 53/42)

AGENDA ITEM 14: REVISED 2008, 2009 AND PROPOSED 2010 BUDGETS OF THE FUND SECRETARIAT

222. The representative of the Secretariat presented document UNEP/OzL.Pro/ExCom/53/66, which contained a revision of the 2008 budget, the budget for 2009 and a proposed budget for 2010 to cover staff costs. The 2008 budget had been revised to address operational costs, which had not been increased for several years and which had partly been negatively affected by the recent fall in the United States dollar against the Canadian dollar. The document presented increases under some budget lines, including staff travel, meeting services, and office expenses where funds had been insufficient in 2007 and over which the Secretariat had minimal control. She indicated that other lines, such as staff training, remained at the same level. A non-recurring allocation of US \$30,000 was also proposed to cover costs associated with necessary upgrades to the in the server room and non-recurring travel costs for attending the meeting of the Executive Committee in Bangkok in July 2008, if the Committee decided to meet back-to-back with the Open-Ended Working Group. Staff costs for 2008 remained unchanged.

223. Given the retirement of several senior staff members, along with the development of new work on HCFCs, the representative of the Secretariat indicated that the Secretariat might wish to come to the Executive Committee with a revised staffing structure in 2008 in order to ensure that it could continue to respond effectively to the needs of the Executive Committee. The 2009

budget had been approved at the 50th Meeting and the proposed 2010 budget reflected extensions of staff contracts.

224. One Member said that currency fluctuation was not sufficient justification for budget amendments and, further, that the position of her delegation was a policy of “zero nominal growth”. She could not accept any increase for 2008 above the 2007 budget level and asked the Secretariat to revise the budget and reprioritize activities as necessary to achieve such consistency. Another Member voiced support for the Secretariat and recognized that further work would be necessary to respond to the future efforts associated with HCFCs.

225. In response to a query about the possibility of a revised staffing structure, the Chief Officer replied that some restructuring within the Fund Secretariat might be considered as a result of the existing workloads associated with the work programme of the Multilateral Fund and in light of what might develop in relation to HCFCs. The Chief Officer also pointed out that there could be implications for the Executive Committee in revising the operational budget.

226. Following the exchange of views and discussions between the Secretariat and Members of the Executive Committee, the 2008 budget was amended to make it consistent with the 2007 budget.

227. Accordingly, the Executive Committee decided:

- (a) To approve the amount of US \$2,784,087 in the revised 2008 budget of the Fund Secretariat totalling US \$5,764,261 to cover the 2008 salary component already approved at the 50th Meeting of the Executive Committee and the 2008 revised operational costs of the Secretariat;
- (b) To note the amount of US \$3,129,183 for the salary component in 2009 already approved at the 50th Meeting;
- (c) To approve the proposed 2010 salary component of the budget totalling US \$3,285,641;
- (d) To approve the revised 2008, 2009 and 2010 budgets of the Multilateral Fund Secretariat as contained in Annex XXVII to the present report; and
- (e) To note the request from the Secretariat regarding flexibility to revert to the Executive Committee during 2008 with a revised staffing structure.

(Decision 53/43)

AGENDA ITEM 15: OTHER MATTERS

Dates and venues of future Meetings of the Executive Committee

228. The Chief Officer proposed dates for the Executive Committee’s 54th, 55th, and 56th Meetings.

229. Following a discussion, the Executive Committee decided:

- (a) To hold its 54th Meeting in Montreal from 7 to 11 April 2008;
- (b) Provisionally to hold its 55th Meeting in Bangkok, Thailand from 14 to 18 July 2008, on the understanding that the meeting of the Open-ended Working Group of the Parties to the Montreal Protocol would be held in Bangkok during the preceding week (7-11 July 2008); and
- (c) Provisionally to hold its 56th Meeting from 8 to 12 November in Doha, Qatar, on the understanding that efforts would be made to minimize any overlaps with the meeting of the Implementation Committee for the Montreal Protocol.

(Decision 53/44)

AGENDA ITEM 16: ADOPTION OF THE REPORT

230. The Executive Committee adopted its report on the basis of the draft report contained in documents UNEP/OzL.Pro/ExCom/53/L.1 and Add.1.

AGENDA ITEM 17: CLOSURE OF THE MEETING

231. The Executive Committee noted that Mr. William Kwan, Deputy Chief of the Montreal Protocol Unit at UNDP, would shortly be retiring and thanked him for his dedication and service.

232. As it was the last Meeting of the Executive Committee over which he would preside, the Committee paid tribute to the Chair for guiding the discussions so skilfully during his term of Office.

233. Following the customary exchange of courtesies, the Chair declared the Meeting closed at 5:00 p.m. on Friday, 30 November 2007.
