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**Annex I**

**LIST OF RELATED DECISIONS OF THE MEETING OF THE PARTIES AND THE  
EXECUTIVE COMMITTEE IN THE ORDER OF THEIR CITATION IN THE  
DOCUMENT UNEP/OzL.Pro/ExCom/53/60**

1. Meeting of the Parties Decision XIX/6 on adjustments to the Montreal Protocol with regard to Annex C, Group I, substances (hydrochlorofluorocarbons) (2007)
2. Meeting of the Parties Decision XIX/10 on Terms of reference for the study on the 2009–2011 replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol (2007)
3. Meeting of the Parties decision II/8, Annex III, on the indicative list of categories of incremental costs (1990)
4. Executive Committee decision on exports to non-Article 5 countries (1995)
5. Executive Committee decision on transnational corporations (1992)
6. Executive Committee guidelines on country programmes (1991)
7. Executive Committee guidelines on preparation, implementation and management of sector/national phase-out plans (2002)
8. Executive Committee decision on cost effectiveness thresholds taken at the 16<sup>th</sup> Meeting of the Executive Committee (1995)
9. Executive Committee decision on hydrocarbon technology (1995)
10. Executive Committee decision on safety-related costs in projects using hydrocarbon (1996)
11. Executive Committee decision on Low volume consuming countries (1995)
12. Executive Committee decision on SMEs (1998)
13. Executive Committee decision on HCFCs (1996)
14. Executive Committee decision on HCFCs (1998)
15. Executive Committee decision on HCFCs (1999)

**1. Decision taken at the 19<sup>th</sup> Meeting of the Parties – Decision XIX/6 (2007)**

Adjustments to the Montreal Protocol with regard to Annex C, Group I, substances (hydrochlorofluorocarbons)

“The Parties agree to accelerate the phase-out of production and consumption of hydrochlorofluorocarbons (HCFCs), by way of an adjustment in accordance with paragraph 9 of Article 2 of the Montreal Protocol and as contained in annex III to the report of the Nineteenth Meeting of the Parties,<sup>4</sup> on the basis of the following:

1. For Parties operating under paragraph 1 of Article 5 of the Protocol (Article 5 Parties), to choose as the baseline the average of the 2009 and 2010 levels of, respectively, consumption and production; and
2. To freeze, at that baseline level, consumption and production in 2013;
3. For Parties operating under Article 2 of the Protocol (Article 2 Parties) to have completed the accelerated phase-out of production and consumption in 2020, on the basis of the following reduction steps:
  - (a) By 2010 of 75 per cent;
  - (b) By 2015 of 90 per cent;
  - (c) While allowing 0.5 per cent for servicing the period 2020–2030;
4. For Article 5 Parties to have completed the accelerated phase-out of production and consumption in 2030, on the basis of the following reduction steps:
  - (a) By 2015 of 10 per cent;
  - (b) By 2020 of 35 per cent;
  - (c) By 2025 of 67.5 per cent;
  - (d) While allowing for servicing an annual average of 2.5 per cent during the period 2030–2040;
5. To agree that the funding available through the Multilateral Fund for the Implementation of the Montreal Protocol in the upcoming replenishments shall be stable and sufficient to meet all agreed incremental costs to enable Article 5 Parties to comply with the accelerated phase-out schedule both for production and consumption sectors as set out above, and based on that understanding, to also direct the Executive Committee of the Multilateral Fund to make the necessary changes to the eligibility criteria related to the post-1995 facilities and second conversions;

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<sup>4</sup> UNEP/OzL.Pro.19/7.

6. To direct the Executive Committee, in providing technical and financial assistance, to pay particular attention to Article 5 Parties with low volume and very low volume consumption of HCFCs;
7. To direct the Executive Committee to assist Parties in preparing their phase-out management plans for an accelerated HCFC phase-out;
8. To direct the Executive Committee, as a matter of priority, to assist Article 5 Parties in conducting surveys to improve reliability in establishing their baseline data on HCFCs;
9. To encourage Parties to promote the selection of alternatives to HCFCs that minimize environmental impacts, in particular impacts on climate, as well as meeting other health, safety and economic considerations;
10. To request Parties to report regularly on their implementation of paragraph 7 of Article 2F of the Protocol;
11. To agree that the Executive Committee, when developing and applying funding criteria for projects and programmes, and taking into account paragraph 6, give priority to cost-effective projects and programmes which focus on, inter alia:
  - (a) Phasing-out first those HCFCs with higher ozone-depleting potential, taking into account national circumstances;
  - (b) Substitutes and alternatives that minimize other impacts on the environment, including on the climate, taking into account global-warming potential, energy use and other relevant factors;
  - (c) Small and medium-size enterprises;
12. To agree to address the possibilities or need for essential use exemptions, no later than 2015 where this relates to Article 2 Parties, and no later than 2020 where this relates to Article 5 Parties;
13. To agree to review in 2015 the need for the 0.5 per cent for servicing provided for in paragraph 3, and to review in 2025 the need for the annual average of 2.5 per cent for servicing provided for in paragraph 4 (d);
14. In order to satisfy basic domestic needs, to agree to allow for up to 10% of baseline levels until 2020, and, for the period after that, to consider no later than 2015 further reductions of production for basic domestic needs;
15. In accelerating the HCFC phase-out, to agree that Parties are to take every practicable step consistent with Multilateral Fund programmes, to ensure that the best available and environmentally-safe substitutes and related technologies are transferred from Article 2 Parties to Article 5 Parties under fair and most favourable conditions;”

## 2. Decision taken at the 19<sup>th</sup> Meeting of the Parties – Decision XIX/10 (2007)

### Terms of reference for the study on the 2009–2011 replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol

“*Recalling* decisions VII/24, X/13, XIII/1 and XVI/35 on previous terms of reference for studies on the replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol,

*Recalling* also decisions VIII/4, XI/7, XIV/39, and XVII/40 on previous replenishments of the Multilateral Fund,

1. To request the Technology and Economic Assessment Panel to prepare a report for submission to the Twentieth Meeting of the Parties, and to present it through the Open-ended Working Group at its twenty-eighth meeting, to enable the Twentieth Meeting of the Parties to take a decision on the appropriate level of the 2009–2011 replenishment of the Multilateral Fund. In preparing its report, the Panel should take into account, among other things:

(a) All control measures and relevant decisions agreed by the Parties to the Montreal Protocol and the Executive Committee, including decisions agreed by the Nineteenth Meeting of the Parties and the Executive Committee at its fifty-third and fifty-fourth meetings insofar as those decisions will necessitate expenditure by the Multilateral Fund during the period 2009–2011, including scenarios which indicate eligible incremental costs and cost-efficiencies associated with implementation by Parties operating under paragraph 1 of Article 5 of the adjustments and decisions relating to HCFCs, and, in addition, the Panel should provide indicative figures for the periods 2012–2014 and 2015–2017 in order to provide information to support a stable level of funding that would be updated prior to figures for those periods being finalized;

(b) The need to allocate resources to enable all Parties operating under paragraph 1 of Article 5 to maintain compliance with Articles 2A–2I of the Montreal Protocol and possible new agreed compliance measures relevant to the period 2009–2011 under the Montreal Protocol;

(c) Rules and guidelines agreed by the Executive Committee, up to and including its fifty-fourth meeting, for determining eligibility for funding of investment projects (including those in the production sector), non-investment projects and sectoral or national phase-out plans;

(d) Approved country programmes;

(e) Financial commitments in 2009–2011 relating to national or sectoral phase-out plans agreed by the Executive Committee;

(f) The provision of funds for accelerating phase-out and maintaining momentum, taking into account the time lag in project implementation;

(g) Experience to date, including limitations and successes of the phase-out of ozone-depleting substances achieved with the resources already allocated, as well as the performance of the Multilateral Fund and its implementing agencies;

(h) The impact that the international market, ozone-depleting substance control measures and country phase-out activities are likely to have on the supply of and demand for ozone-depleting substances, the corresponding effects on the price of ozone-depleting substances and the resulting incremental costs of investment projects during the period under review;

- (i) Administrative costs of the implementing agencies and the cost of financing the secretariat services of the Multilateral Fund, including the holding of meetings;
2. That, in undertaking this task, the Panel should consult widely with all relevant persons and institutions and other relevant sources of information deemed useful;
3. To request the Panel to provide additional information on the levels of funding required for replenishment in each of the years 2012, 2013 and 2014 and to study the financial and other implications of a possible longer replenishment period, in particular whether such a measure would provide for more stable levels of contributions;
4. That the Panel shall strive to complete its work in time to enable its report to be distributed to all Parties two months before the twenty-eighth Meeting of the Open-ended Working Group;
5. To request the Panel to take into account the conclusions resulting from the study conducted by the Executive Committee pursuant to paragraph 2 of decision XVIII/9 in the event that proposals for control measures related to the subject of that study are submitted to the Ozone Secretariat.”

### 3. Decision taken at the 2<sup>nd</sup> Meeting of the Parties – Decision II/8 (1990)

#### Indicative list of categories of incremental costs

“1. The evaluation of requests for financing incremental costs of a given project shall take into account the following general principles:

(a) The most cost-effective and efficient option should be chosen, taking into account the national industrial strategy of the recipient party. It should be considered carefully to what extent the infrastructure at present used for production of the controlled substances could be put to alternative uses, thus resulting in decreased capital abandonment, and how to avoid deindustrialization and loss of export revenues;

(b) Consideration of project proposals for funding should involve the careful scrutiny of cost items listed in an effort to ensure that there is no double-counting;

(c) Savings or benefits that will be gained at both the strategic and project levels during the transition process should be taken into account on a case-by-case basis, according to criteria decided by the Parties and as elaborated in the guidelines of the Executive Committee;

(d) The funding of incremental costs is intended as an incentive for early adoption of ozone protecting technologies. In this respect the Executive Committee shall agree which time scales for payment of incremental costs are appropriate in each sector.

2. Incremental costs that once agreed are to be met by the financial mechanism include those listed below. If incremental costs other than those mentioned below are identified and quantified, a decision as to whether they are to be met by the financial mechanism shall be taken by the Executive Committee consistent with any criteria decided by the Parties and elaborated in the guidelines of the Executive Committee. The incremental recurring costs apply only for a transition period to be defined. The following list is indicated:

(a) Supply of substitutes

(i) Cost of conversion of existing production facilities:

- cost of patents and designs and incremental cost of royalties;
- capital cost of conversion;
- cost of retraining of personnel, as well as the cost of research to adapt technology to local circumstances;

(ii) Costs arising from premature retirement or enforced idleness, taking into account any guidance of the Executive Committee on appropriate cut-off dates:

- of productive capacity previously used to produce substances controlled by existing and/or amended or adjusted Protocol provisions; and
- where such capacity is not replaced by converted or new capacity to produce alternatives;

- (iii) Cost of establishing new production facilities for substitutes of capacity equivalent to capacity lost when plants are converted or scrapped, including:
  - cost of patents and designs and incremental cost of royalties;
  - capital cost;
  - cost of training, as well as the cost of research to adapt technology to local circumstances;
- (iv) Net operational cost, including the cost of raw materials;
- (v) Cost of import of substitutes;
- (b) *Use in manufacturing as an intermediate good*
  - (i) Cost of conversion of existing equipment and product manufacturing facilities;
  - (ii) Cost of patents and designs and incremental cost of royalties;
  - (iii) Capital cost;
  - (iv) Cost of retraining;
  - (v) Cost of research and development;
  - (vi) Operational cost, including the cost of raw materials except where otherwise provided for;
- (c) End use
  - (i) Cost of premature modification or replacement of user equipment;
  - (ii) Cost of collection, management, recycling, and, if cost effective, destruction of ozone-depleting substances;
- (iii) Cost of providing technical assistance to reduce consumption and unintended emission of ozone-depleting substances.”

**4. Decision taken at the 17<sup>th</sup> Meeting of the Executive Committee (1995)**

Export to non-Article 5 countries

"In projects which benefit enterprises that export part of their production to non-Article 5 countries, the following rules shall apply:

1. Where exports to non-Article 5 countries correspond to or are less than 10 per cent of total production, the total incremental costs shall be covered.
2. Where exports to non-Article 5 countries exceed 10 per cent of production but do not exceed 70 per cent, there shall be a reduction equivalent to the percentage of total production represented by such exports less 10 per cent.
3. Where exports to non-Article 5 countries exceed 70 per cent of production, the project shall not be eligible.
4. The average over the three years prior to submission of the project shall be used to determine production and exports to non-Article 5 countries.
5. Projects where the exports to non-Article 5 countries are in the form of agricultural or fisheries products shall be eligible for total incremental costs."

*(UNEP/OzL.Pro/ExCom/15/45 (paras. 146, 147).*



**5. Decision taken at the 18<sup>th</sup> Meeting of the Executive Committee (1995)**

Transnational corporations

“The Fund should not finance phase-out activities relating to enterprises that were wholly owned subsidiaries of transnational corporations or enterprises permitted to operate in "free zones" and whose output was for export only. Partial funding should be considered on a case-by-case basis to finance the local share ownership of any given enterprise partly owned by a transnational corporation. In such a case, funding could be provided as a percentage of project incremental costs proportionate to the local share ownership of the enterprise with the transnational corporation responsible for the rest. Subject to the approval of the Executive Committee, the same criteria should apply to bilateral assistance for activities involving subsidiaries of transnational corporations.”

*(UNEP/OzL.Pro/ExCom/7/30, para. 88).*

*(Supporting document: UNEP/OzL.Pro/ExCom/7/30 Annex VI).*

## 6. Decision taken at the 3rd Meeting of the Executive Committee (1991)

### Guidelines on Country programmes

1. “The Executive Committee shall invite each Party operating under paragraph 1 of Article 5 and wishing to receive support from the Multilateral Fund to develop a country programme<sup>1</sup> and projects in accordance with paragraph 10(g) of the Terms of Reference of the Executive Committee.
2. The country programme is expected to contain inter alia:
  - (a) a review of recent production, imports, applications and use of controlled substances by the main producers, users, and consumers. Where information is available it would be useful to indicate links to multinational producers or users.
  - (b) a description of the institutional framework governing controlled substances - (Government agencies, collaborating NGO's, consumer groups, industry associations);
  - (c) a description of policy framework, regulatory and incentive systems;
  - (d) a description of government and industry activities in response to the Protocol;
  - (e) a statement of strategy for implementation of the Protocol, indicating the respective roles of Government, supporting multilateral and bilateral agencies;
  - (f) an action plan encompassing investment and technical assistance projects, pre-investment studies, and any additional policy analysis required;
  - (g) a timetable for each activity, and for action plan review;
  - (h) a budget and financing programme for the above activities.
3. In developing its country programme and/or individual projects, a Party may request technical assistance, other services and support from the implementing agencies within their respective areas of expertise and within the context of work programmes approved by the Executive Committee.
4. A Party operating under paragraph 1 of Article 5 shall submit its country programme to the Executive Committee for its consideration and approval in accordance with paragraph 10(g) of Appendix II of Annex IV to the Report of the Second Meeting of the Parties.
5. A country programme approved by the Executive Committee shall serve as a basis for project preparation and further co-operation between the Party and the implementing agencies. However, individual projects prepared prior to the completion of a country programme shall also qualify for funding of consistent with project eligibility criteria (see section III) approved by the Executive Committee.”

*(UNEP/OzL.Pro/ExCom/3/18/Rev.1 Annex III (section II.1.2).*

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<sup>1</sup> A number of countries have already initiated or completed national or country studies which contain some of the elements of a country programme. Updated country studies containing the elements listed in paragraph 2a-h shall constitute a country programme.

## 7. Decision taken at the 38<sup>th</sup> meeting of the Executive Committee - Guidelines (2002)

Guidelines for the preparation, implementation and management of performance based sector and national ODS phase-out plans: Follow up to decision 37/67

### “Introduction

6. Performance-based funding agreements for ODS phase-out were introduced into the Fund operation in 1997 and are being increasingly adopted by some Article 5 countries as a preferred modality for managing their sectoral and/or national ODS phase-out programmes. Since the advantage of the performance-based phase-out plans is the matching of the funding commitment by the Executive Committee with the commitment of countries concerned to comply with the Montreal Protocol obligations, it is essential that the performance targets in such plans conform with the phase-out schedules of the various controlled substances.

7. The plans which have been prepared and implemented to date show a great degree of similarity and convergence, although in some aspects variance exists both in format and substance among these plans. At a time when such plans are becoming the predominant funding modality of the Fund, the current effort in preparing these Guidelines provides the opportunity to formalize experiences accumulated in applying the funding modality, and achieve consistency on those aspects that have not been dealt with uniformly.

8. However, it is also realized that situations in countries vary and needs are different. It would be impractical for the Guidelines to attempt to encompass every situation. Instead, an open approach is followed in developing these Guidelines whereby the purpose is to provide general principles and procedures that should be followed in developing and implementing such performance-based ODS phase-out plans. At the same time, there should be enough room left to allow users of these Guidelines to expand and adapt to suit their specific needs. This is especially true in the specific examples used in the Guidelines and the proposed Format for Annual Implementation Programmes, which are mostly illustrative in nature.

9. The Guidelines contain four parts: Part I – Purpose, Applicability, Definitions, Composition and Deadline for Submission; Part II – Contents of a performance-based ODS phase-out proposal; Part III – Contents of the agreement for a performance-based phase-out plan; and Part IV – Implementation of the performance-based ODS phase-out plan.

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

#### **Purpose**

5. The purpose of the Guidelines for the Preparation, Implementation and Management of Performance-Based ODS Phase-Out Plans (hereinafter referred to as “the Guidelines”) is to provide standard procedures for the preparation, implementation and management of performance-based ODS phase-out plans. Users of these Guidelines could expand and adapt the guidelines to suit their specific needs.

#### **Applicability**

6. The Guidelines should apply to all the plans that the Executive Committee will enter into that entail a financial commitment by the Executive Committee, *which will approve specific amounts agreed*

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

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

### **Definitions**

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

- *A substance*, is defined as an ozone-depleting substance controlled by the Montreal Protocol.
- *Annex/Group*, is defined as those Annexes and Groups related to ozone-depleting substances referred to in the Montreal Protocol. These Annexes/Groups include:
  - Annex A Group I of the Montreal Protocol includes CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115;
  - Annex A Group II of the Montreal Protocol includes Halon 1211, Halon 1301, and Halon2402;
  - ***Annex C Group III: Bromochloromethane***
  - Annex B Group I (CFC-13), Group II (CTC) and Group III (TCA); and
  - Annex E: methyl bromide.
- *A sector*, is defined as the industrial sector producing or using one or more ODSs. These sectors include:
  - ODS production;
  - Aerosol;
  - Foams;
  - Refrigeration;
  - Solvents;

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

### **Composition**

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

### **Deadline for Submission**

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

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

### **General Information**

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

### **Impact of the proposal**

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

submission of the proposal; and phase-out from the proposal as a percentage of the remaining unfunded consumption in the case of a sector plan.

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

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

#### **Data collection and validation**

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

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

#### **Strategy and plan of implementation**

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

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

19. There should be an implementation programme sector-by-sector on how the ODS demand reduction will be achieved year by year. This includes a description of the contribution of activities by industry and government. This should include annual data on reductions to be achieved; reduction from

on-going projects; reduction from new conversions in the manufacturing industries; reduction from servicing; and contributions from government policy control.

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

### **Incremental costs**

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

22. For industry conversions, data should be provided to the extent possible on the number of enterprises, sectors/sub-sectors involved, enterprise ODS consumption and baseline equipment, date of installation of production capacity, production levels, the average cost-effectiveness of the projects funded in the sector/sub-sector in the relevant country and level of exports to non-Article 5 countries. Using this data, incremental costs should be calculated at the sub-sector level. Where large enterprises are identified with potential individual phase-out costs of over US \$1 million, sub-projects should be appended to the plan establishing the incremental cost in the usual manner.

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

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

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

### **Management**

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

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

## **Monitoring and Evaluation**

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

## **Performance targets and disbursement schedule**

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

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

### **General Information**

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

### **Impact of the agreement**

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

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

## **Performance targets, indicators of achievement and fund disbursement schedule**

33. Performance *targets* should be set in annual reduction levels of the controlled substance concerned, starting from the year that the agreement is approved. The performance targets should at a minimum meet the control schedules of the Montreal Protocol for each of the controlled substances



concerned, *except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee.*

34. *Indicators* should be provided for each annual target to validate and corroborate the achievement of the targets. To the extent possible, these indicators should be verifiable and quantifiable. For the purpose of illustration, they could include the import and consumption data (supply and demand) of the controlled substance, the completion of investment projects and associated phase-out, the number of CFC recovery and recycling stations in operation, the enactment and enforcement of a government policy such as import control of CFCs at a certain date, and other quantifiable indicators.

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

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

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

### **Conditions for disbursement**

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

### **Delineation of annual funding cycle**

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

### **Flexibility for using approved funding**

39. The agreement may include a clause about the flexibility that should be allowed for the country concerned to reallocate the approved funds, or part of the funds according to the evolving circumstances

in the country to achieve the agreed targets. *Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.*

### **Monitoring and evaluation**

40. There should be a clear description of the financial and substantive oversight to be exercised over the plan and should include the name of the institutions involved, the role and responsibility of each institution, the type and frequency of reporting. There should be adequate provision to ensure independent confirmation of the achievement of the performance targets specified in the agreement, including *where appropriate* a periodic evaluation to be mounted by the Senior Monitoring and Evaluation Officer of the Secretariat.

### **Provisions for failing to honour commitments**

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

### **Management responsibilities**

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

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

### **Arrangement for administrative fees**

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

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

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

## Preparation and submission of annual implementation programmes and funding requests

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

## Contents of the annual implementation programme

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

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

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

**Annex I**

**FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES**

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

**1. Data**

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

**2. Targets**

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

\* For ODS-producing countries

3. **Industry Action**

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

4. **Technical Assistance**

Proposed Activity: \_\_\_\_\_

Objective: \_\_\_\_\_

Target Group: \_\_\_\_\_

Impact: \_\_\_\_\_

5. **Government Action**

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

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
<b>TOTAL</b>	

7. **Administrative Fees**

**8. Decision taken at the 16<sup>th</sup> Meeting of the Executive Committee (1995)**

Cost effectiveness thresholds

“The Executive Committee:

- a) Decided that the first option proposed by the Sub-Committee on Project Review, as outlined in paragraph 25 above, should be implemented on a trial basis for projects submitted to the Seventeenth Meeting of the Executive Committee and that it should be reviewed at the Eighteenth Meeting;
- b) Decided that ODS consumption should be calculated on the basis of either the year, or an average of the three years, immediately preceding project preparation;
- c) Adopted the following sector and sub-sector cost-effectiveness threshold values to be applied to projects submitted to the Seventeenth Meeting;

<u>Sector</u>	<u>US \$/kg ODP</u>
AEROSOL	
Hydrocarbon	4.40
FOAM	
General	9.53
Flexible polyurethane	6.23
Integral skin	16.86
Polystyrene/polyethylene	8.22
Rigid polyurethane	7.83
HALON	
General	1.48
REFRIGERATION	
Commercial	15.21
Domestic	13.76
SOLVENT	
CFC-113	19.73
TCA	38.50”

*(UNEP/OzL.Pro/ExCom/16/20 (paras. 32c, 32d).*

**9. Decision taken at the 17<sup>th</sup> Meeting of the Executive Committee (1995)**

Treatment of hydrocarbon technologies

“The Executive Committee, noting its decision at its Fifteenth Meeting to presume against the use of HCFCs in investment projects, recognizing the higher cost of hydrocarbon technologies, primarily due to safety factors, and desiring to ensure an equality between technology options consistent with that decision decided:

- (a) That for the purposes of calculating the cost-effectiveness value of projects utilizing such technologies, the numerator should be discounted by up to 35 per cent. It is expected that these figures will be adjusted in the light of experience and a study on safety matters to be conducted by the Secretariat;
- (b) To request the Secretariat to analyse projects in the pipeline for the commercial refrigeration sector and the rigid polyurethane sector where hydrocarbon technologies are used, and to inform the Executive Committee of the results at its Eighteenth Meeting.”

**(Decision 17/14)**

**9. Decision taken at the 17<sup>th</sup> Meeting of the Executive Committee (1995)**

Treatment of hydrocarbon technologies

49. “The Executive Committee, noting its decision at its Fifteenth Meeting to presume against the use of HCFCs in investment projects, recognizing the higher cost of hydrocarbon technologies, primarily due to safety factors, and desiring to ensure an equality between technology options consistent with that decision decided:

- (a) That for the purposes of calculating the cost-effectiveness value of projects utilizing such technologies, the numerator should be discounted by up to 35 per cent. It is expected that these figures will be adjusted in the light of experience and a study on safety matters to be conducted by the Secretariat;
- (b) To request the Secretariat to analyse projects in the pipeline for the commercial refrigeration sector and the rigid polyurethane sector where hydrocarbon technologies are used, and to inform the Executive Committee of the results at its Eighteenth Meeting.”

**(Decision 17/14)**



## 10. Decision taken at the 20<sup>th</sup> Meeting of the Executive Committee

### Safety-related costs in projects using hydrocarbon technology

“The Secretariat introduced its report on safety-related costs in projects using hydrocarbon technology, which had been prepared in accordance with Executive Committee decision 17/14 (UNEP/OzL.Pro/ExCom/20/65).

The Executive Committee took note of document UNEP/OzL.Pro/ExCom/20/65 and the recommendation by the Sub-Committee on Project Review (UNEP/OzL.Pro/ExCom/20/5, para. 54) and decided:

- (c) To approve the recommendations in the Secretariat’s document on safety-related costs in projects using hydrocarbon technologies, namely:
  - (i) With regard to domestic refrigeration projects:
    - a. There was an increase in both the capital and total cost per unit for all-hydrocarbon technologies compared to HCFC/HFC-based technologies. The increase in the total project cost (capital plus operating costs) ranged between 15.6 per cent to 55.1 per cent for different categories of projects;
    - b. Discounting the numerator by 35 per cent was sufficient to maintain parity between HCFC-141b/HFC-134a and cyclopentane/HFC-134a technology options in the domestic refrigeration sector;
    - c. The number of projects approved for cyclopentane/isobutane technology was not sufficient to enable reliable conclusions to be drawn;
  - (ii) With regard to the commercial refrigeration projects, there was no need for the introduction of a discounting factor to account for the additional safety costs needed for hydrocarbon technology, because on average, projects using hydrocarbon technologies were within one per cent of the cost-effectiveness threshold for the sector and therefore would not be disadvantaged for consideration for funding;
  - (iii) With regard to rigid polyurethane foam projects, there was no need for the introduction of a discounting factor to account for the additional safety costs for hydrocarbon technology, because the above statistical analysis showed that on average, projects using hydrocarbon technology were already below the cost-effectiveness threshold for the sector, and thus would not be disadvantaged for consideration for funding;
- (b) That the Secretariat should, however, consider further information on conversion in the commercial refrigeration sector and report back to the Executive Committee at its Twenty-second Meeting.”

**(Decision 20/45)**

**11. Decision taken at the 16<sup>th</sup> Meeting of the Executive Committee (1995)**

Low volume consuming countries

“US \$6,630,000 exclusively for allocation to projects from low-ODS-consuming countries. This amount would be in addition to any funds received as a result of approval of projects from low-ODS-consuming countries that qualified under the cost-effectiveness thresholds listed above; (part of decision on cost-effectiveness at the 16<sup>th</sup> Meeting).”

## 12. Decision taken at the 25<sup>th</sup> Meeting of the Executive Committee (1998)

### SMEs

“Accordingly, the Executive Committee decided to include an allocation of US \$10 million from the resource allocation for 1999 for a funding window designed to facilitate pilot conversions of significant groups of small firms that met the following criteria:

- (a) Given the fact that SME projects for low-volume consuming countries are currently fully eligible, this window should apply only to group projects from countries with annual ODS consumption of 360 ODP tonnes or more;
- (b) Eligible group projects for this initial pilot programme should be in the aerosol or foam sectors only, and should include firms with annual ODS consumption not exceeding the following:

<u>Aerosols:</u>		20 ODP tonnes/yr.
<u>Foams:</u>	Flexible	25 ODP tonnes/yr.
	Extruded polyethylene/polystyrene	25 ODP tonnes/yr.
	Flexible integral skin	10 ODP tonnes/yr.
	Rigid polyurethane foams	10 ODP tonnes/yr.

- (c) Group projects should be at a level of US \$1 million or less, and should have an overall cost-effectiveness of no more than 150 per cent of the level of the current cost-effectiveness thresholds for the relevant eligible subsectors in (b) above. Such group projects should use the most cost-effective technologies reasonably available, and should consider the possible use of centralized/group use of equipment and industrial rationalization;
- (d) The group project should be put forward with a government plan, including policies and regulations designed to ensure that the specific level of agreed reduction to be achieved was sustained;
- (e) No single country may apply for more than US \$1 million from this pilot funding window although projects from one country may cover more than one sector.”

**(Decision 25/56)**

**13. Decision taken at the 20<sup>th</sup> Meeting of the Executive Committee (1996)**

The application of hydrochlorofluorocarbons (HCFCs) in projects funded by the Multilateral Fund

“The Executive Committee, having considered the Secretariat’s report on the application of hydrochlorofluorocarbons in projects funded by the Multilateral Fund (UNEP/OzL.Pro/ExCom/20/69) and the recommendation of the Sub-Committee on Project Review (UNEP/OzL.Pro/ExCom/20/5, para. 59), decided:

- (a) To take note with appreciation of the Secretariat’s report;
- (b) To request the implementing agencies to ensure that adequate information on all alternative technologies was provided to enterprises converting from CFCs;
- (c) To reaffirm paragraph (b) of its decision 19/2 which stated that, in cases where conversion to HCFCs was recommended, the implementing agencies should be requested to provide a full explanation of the reasons why such conversion was recommended, together with supporting documentation that the criteria laid down by the Executive Committee for transitional substances had been met, and should make it clear that the enterprises concerned had agreed to bear the cost of subsequent conversion to non-HCFC substances.”

**(Decision 20/48)**

**14. Decision taken at the 26<sup>th</sup> Meeting of the Executive Committee (1998)**

The application of hydrochlorofluorocarbons (HCFCs) in projects funded by the Multilateral Fund

“The Executive Committee also noted the concerns expressed by some members of the Sub-Committee on Project Review and decided:

- (a) That the full information provided in the project document should be included in the project evaluation sheet;
- (b) That where, upon review by the Fund Secretariat, a project proposal requesting HCFC technology was considered to provide inadequate information justifying the choice of that technology, the project should be submitted for individual consideration by the Sub-Committee on Project Review.”

**(Decision 26/26)**

**15. Decision taken at the 27<sup>th</sup> Meeting of the Executive Committee (1999)**

The application of hydrochlorofluorocarbons (HCFCs) in projects funded by the Multilateral Fund

Projects involving HCFCs

“Having considered the comments and recommendations of the Sub-Committee on Project Review on projects involving HCFCs (UNEP/OzL.Pro/ExCom/27/13, paras. 9-12), the Executive Committee expressed its appreciation for the increased information/justification provided for the selection of HCFCs and noted that that was the level of information originally expected, and that at least that level was expected in the future; stressed to the Implementing Agencies that it considered this to be more than a paper exercise, and urged the Agencies to take seriously the obligations related to providing information on alternatives available; and decided, in recognition of Article 2F of the Montreal Protocol, to request that Implementing Agencies provide, for all future projects or groups of projects for HCFCs from any country, a letter from the Government concerned. In the letter, the country should:

- (a) Verify that it had reviewed the specific situations involved with the project(s) as well as its HCFC commitments under Article 2F;
- (b) State if it had nonetheless determined that, at the present time, the projects needed to use HCFCs for an interim period;
- (c) State that it understood that no funding would be available for the future conversion from HCFCs for these companies.”

**(Decision 27/13)**