



MULTILATERAL FUND

FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

Post Meeting Summary of Decisions of the 57th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

Introduction

The 57th Meeting of the Executive Committee, which took place in Montreal, Canada from 30 March to 3 April 2009, was attended by the representatives of all the Executive Committee member Parties and by participants co-opted from 23 other countries (see attached list). Dr. Husamuddin Ahmadzai of Sweden presided over the meeting as Chair of the Executive Committee in 2009. The Executive Secretary and Deputy Executive Secretary of the Ozone Secretariat, representatives of the implementing agencies, the Treasurer, the Co-Chair of the Technical and Economic Assessment Panel (TEAP), the Vice President and Rapporteur of the Implementation Committee, and representatives from the Alliance for Responsible Atmospheric Policy and Greenpeace also attended the meeting.

The 57th Meeting took place nine months ahead of the Montreal Protocol deadline for Article 5 countries to completely phase-out production and consumption of CFCs, halons and CTC and thus one important task for the Executive Committee was to scrutinize the timely implementation of activities to ensure countries meet this compliance target. The Committee also looked beyond 1 January 2010 to the requirement to freeze HCFC production and consumption levels in 2013 and to reduce it by 10 percent in 2015. A number of complex HCFC phase-out policies were discussed including the choice of HCFC phase-out technologies to minimize impacts on climate, second stage conversions of enterprises that had been previously been funded through the Multilateral Fund, and the cut-off dates for funding after which conversions would not be eligible for Multilateral Fund assistance. Discussions on these issues will continue at the next Executive Committee meeting.

The Committee followed its customary programme of work for the first meeting of the year including financial planning and consideration of the three-year business plans of the bilateral and implementing agencies, and agencies' work programmes. In addition, as this was the first meeting of the 2009-2011 triennium, the Executive Committee considered how and when the recent replenishment budget adopted by the 20th Meeting of the Parties would be allocated.

At its 57th Meeting, the Executive Committee approved investment projects and work programme activities with a value of just over US \$25.5 million, plus US \$2 million in support costs for bilateral / implementing agencies, and took a total of 43 decisions. The most significant decisions and discussions are summarized below.

Secretariat activities (decision 57/1)

International Conference on Chemical Management

Following a request from the Secretariat of the Strategic Approach to International Chemicals Management (SAICM) for a report on activities supported by the Multilateral Fund that contribute to the objectives of SAICM, the Executive Committee requested the Secretariat to prepare a report for the second session of the International Conference on Chemical Management (ICCM2), taking into account the guidance provided at the 57th Meeting and the letter sent to the Secretariat of the Rotterdam Convention in response to decision 54/1(b). The report would emphasize that the Multilateral Fund's activities were subject to Article 10 of the Montreal Protocol. The Chief Officer would attend the ICCM2 and report back to the Executive Committee on the outcome at its 58th Meeting.

Status of contributions and disbursements, balance and availability of resources (decisions 57/2 and 57/3)

The Executive Committee reviewed information on the Fund's balance, income and contributions, and aggregate information on the status for the triennium, including data on gains and losses from the fixed-exchange rate mechanism (FERM). The total income of the Fund including cash payments, promissory notes, bilateral cooperation assistance, interest earned and miscellaneous income amounted to US \$2,485,807,598 and the balance of the Fund stood at US \$61,451,861, of which US \$33,173,579 were in cash and US \$28,278,282 in promissory notes. In addition funds and support costs returned from completed projects by the implementing agencies amounted to US \$483,913 and funding and support costs returned by the bilateral agencies was US \$1,005,112. The Executive Committee also noted that France had transferred the project on ODS phase-out in 50 existing centrifugal chiller units in Côte d'Ivoire to UNIDO at the net level of funds of US \$1,000,000 and support costs of US \$75,000.

The Executive Committee urged all Parties to pay their contributions to the Multilateral Fund in full and as early as possible and that any Parties eligible to use the FERM should advise the Treasurer of their intention to do so, in order that they could be added to the list of Parties using the FERM in the Treasurer's report to the 58th Meeting

Status of resources and planning

Financial planning for 2009-2011 (decision 57/4)

The Parties established a replenishment budget of US \$490 million for the Multilateral Fund at the 20th Meeting of the Parties in November 2008 (decision XX/10). Of this US \$490 million, US \$55.4 million is already committed to funding the implementation of ongoing multi-year agreements (MYAs). Funding for other standard activities during the triennium totals US \$94 million leaving US \$340.6 million of programmable resources for new activities during the triennium.

After reviewing the commitments and resources available for new activities, bilateral contributions and resource availability in the light of expected cash flow during the triennium, the Executive Committee decided to adopt a resource allocation of US \$106 million in 2009, US \$181 million in 2010, and US \$203 million in 2011. The Executive Committee also made a number of requests in consideration of the overall budget and cash flow.

The Executive Committee would consider the availability of cash flow for the 2011 budget at its first Meeting in 2011 in light of the collection of interest, the payment of contributions from countries that had not previously paid, and any losses due to non payment or the FERM. In addition in the context of its agenda item on business planning, the Executive Committee would monitor the impact of the allocation of annual tranche funding in MYAs on the US \$340.6 million available for new activities in the 2009-2011 budget to enable as many HCFC phase-out plans (HPMPs) for as many countries as possible to be accommodated during the triennium.

Status on implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol (decision 57/5)

The Executive Committee considered the latest report on the status/prospects of Article 5 countries in achieving compliance with Montreal Protocol control measures. Information on project implementation delays was reviewed and the Committee cancelled a refrigeration project in one country and requested additional status reports from implementing agencies regarding 14 other projects.

The Committee also considered the usefulness and level of effort associated with preparing assessments of the risk of non-compliance. The Committee encouraged interested Article 5 Parties to conduct their own compliance risk assessment making full use of the methodology and indicators developed by the Secretariat and would consider further the role of the Secretariat with respect to the assessment of the risks of non-compliance in the context of work programmes on monitoring and evaluation.

2009-2011 business plans (decisions 57/6 - 57/11)

Consolidated business plan (decision 57/6)

As part of its financial planning process, the Executive Committee reviewed and noted the consolidated 2009-2011 business plan of the Multilateral Fund with concern that the amounts in the business plans exceeded the budget for the triennium owing largely to the uncertainty in the costing of HCFC activities.

Bilateral business plans (decision 57/7)

The Executive Committee noted with appreciation the 2009-2011 business plans on bilateral

cooperation submitted by Canada, the Czech Republic, France, Germany, Hungary, and Japan.

HCFC investment activities (decision 57/6(b))

In view of the fact that some HCFC investment activities might be submitted by countries in advance of their HPMPs, the Executive Committee decided that a country's request for HCFC investment projects and sector plans should be consistent with the guidelines for HPMPs, as set out in decision 54/39, and indicate their relationship to the country's HPMP and when the country expects to submit the HPMP.

Cost of HCFC activities (decision 57/6(c) and (e))

The Executive Committee was concerned that budget proposals in the business plans could mean that some Article 5 countries might not receive adequate financial support to meet the 2013 and 2015 HCFC control measures. Therefore it decided that the value of annual tranches for HCFC activities should be considered in HPMP proposals in the light of budgetary restrictions. In order to prioritize HCFC projects the Committee would use a compliance-oriented model when addressing the phase-out of HCFCs and requested the Secretariat to prepare a strategic analysis to assist the Committee in providing guidance to the bilateral and implementing agencies on how to equitably allocate funds for all eligible Article 5 countries to enable them to comply with the 2013 and 2015 HCFC control measures, within the limits of available resources. The strategic analysis would take into consideration earlier Executive Committee decisions on HCFC costs and funding eligibility and present options on how funding could be allocated, taking into account countries' total HCFC consumption and the sectoral distribution of that consumption.

Phase-out of CFC, CTC and halons in anticipation of the 2010 control measures (decision 57/6(d))

The Executive Committee urged bilateral and implementing agencies to continue their efforts to implement approved projects to ensure the expected phase-out of 8,836 ODP tonnes of ODS in 2009 since 2009 was the final year for CFC, halon and CTC consumption phase-out.

Projects removed from the business plans (decision 57/6 (f)) and 57/8 – 57/11)

The Executive Committee decided to remove from the implementing agencies' business plans all MDI strategies, all HCFC production components and all HCFC demonstration projects with the exception of five HCFC demonstration projects in the foam sector.

ODS disposal projects (decision 57/6(f), (g), (h)) and 57/8, 57/10, 57/11)

Following discussion by a contact group set up to address the management of unwanted ODS projects, all ODS disposal projects were removed with the exception of projects for six countries and one regional project for Asia and the Pacific. The projects in the six countries were selected on the basis of the criteria set out in decision XX/7 of the Twentieth Meeting of the Parties to promote environmentally sound management of ODS banks and to ensure an equitable regional distribution. At its 58th Meeting the Executive Committee would consider

criteria and guidelines for the selection of ODS disposal projects, taking into account decision XX/7, and the contact group discussions on ODS disposal project selection held at the 57th Meeting.

Agency business plans (decisions 57/8 – 57/11)

The Executive Committee endorsed the business plans of UNDP, UNEP, UNIDO and the World Bank for 2009 however only noted the activities tentatively planned for 2010 and 2011 due to the HCFC cost issue since there were no guidelines to establish accurate estimates for HCFC phase-out activities. Performance indicators, which would provide the basis for the evaluation of performance in 2009, were approved for the four agencies.

HPMP requests for Pacific Island countries (PIC) (decisions 57/9(e))

The Executive Committee requested UNEP to consult with PIC countries regarding opportunities for taking a regional approach to HPMP preparation. UNEP would report back to the Executive Committee on the outcomes of consultations at the 58th Meeting. Total funding available for PIC HPMP preparation would be limited to US \$300,000 in the first instance.

Investment partner agency for UNEP HPMPs

Since there are 53 HPMP projects with UNEP as sole agency, the Executive Committee wished to ensure there would be no misunderstandings that with UNEP as sole agency, there would be no capital equipment in the HPMPs unless some of the funds for project preparation provided to UNEP were transferred to other implementing agencies. The Executive Committee decided to limit UNEP to disbursing up to 50 per cent of approved project preparation costs for HPMP preparation until a partner agency capable of providing investment funding had been identified or a letter received from the country indicating that it was aware that it would not receive investment funding for its HPMP as UNEP could not provide such funding and that it would not ask UNEP to share its project preparation funds in order to develop investment components, including recovery and recycling equipment.

Programme implementation

Monitoring and Evaluation: report on the existing terms of reference and how the evaluation functions in similar institutions are organized and implemented (decision 57/12)

Following consideration of a report on the existing terms of reference for the position of Senior Monitoring and Evaluation Officer (SMEO) and how evaluation functions are organized in similar institutions, the express agreement of the Members of the Executive Committee was to continue with the function of monitoring and evaluation at the current budget level and that the post of SMEO should remain staffed by a highly qualified professional.

The Executive Committee requested the Secretariat to prepare, for the 58th Meeting, terms of

reference and workload for the SMEO, taking into consideration the position of SMEO should retain independence and was best situated in the Secretariat. The Committee asked the Secretariat to propose additional responsibilities to the workload and the terms of reference, including work on climate benefits, risk of non-compliance, auditing and increased emphasis on monitoring functions, and taking into account that the work should be relevant and helpful for HCFC phase-out. In addition, the terms of reference should include a provision for such a position to be fixed-term in line with the standard practice of other international funding institutions.

Annual tranche submission delays (decision 57/13)

The Executive Committee reviewed all annual tranches of MYAs due for submission to the 57th Meeting noting that 58 of the 90 annual tranches had been submitted on time. Letters regarding tranches not submitted to the 57th Meeting would be sent to 23 countries encouraging them to take actions to expedite the implementation of the approved tranches so that they could be submitted to the 58th or in some cases the 59th Meeting. 14 countries had tranches that were due for the first time to the 57th Meeting and nine countries had tranches which had not been submitted to two or more consecutive meetings.

Report on implementation of approved projects with specific reporting requirements (decision 57/14)

The Executive Committee considered progress reports on the implementation of approved projects with specific reporting requirements including reports on the national phase-out plan for Afghanistan, the refrigerant management plan (RMP) for Brunei Darussalam; the work plan for activities beyond 2009 for the polyurethane foam sector in China; the terminal phase-out plan (TPMP) for Fiji, the complete phase-out of the use of methyl bromide in Jordan, the plan for terminal phase-out of CTC in the Democratic People's Republic of Korea, and the audit and verification report of the TPMP for Trinidad and Tobago.

The Committee took note of the reports submitted by these countries, approved the annual implementation plans for the next phase of projects in four countries (Afghanistan, Brunei Darussalam, China and Fiji) and made requests to two implementing agencies to follow up on specific issues.

Project proposals (decisions 57/15 – 57/31)

Deferral of a multi-year agreement tranche due to low rate of disbursement for the previous tranche (decision 57/15)

The Executive Committee decided that bilateral and implementing agencies should not submit for the Committee's consideration requests for funding of tranches of multi-year agreements with low rates of implementation of activities initiated with previously approved tranches and where the rate of disbursement of funding available from the previously approved tranche was less than 20 per cent, even when the levels of consumption of the ODS under consideration were below the maximum allowable levels under the Montreal Protocol and in the Agreement between the Government concerned and the Executive Committee.

Project approvals

The Executive Committee approved 160 investment projects and work programme activities in 84 countries with a value of just over US \$25.5 million, plus US \$2 million in support costs for bilateral and implementing agencies. These included projects to be implemented directly by the Governments of Canada, the Czech Republic, France, Germany and Italy. Twenty-two countries received funding for institutional strengthening projects, including Iraq, a new Party to the Montreal Protocol in 2008.

2010 control measures

Continuing its efforts to address the remaining CFCs ahead of the 1 January 2010 Montreal Protocol phase-out deadline, the Committee earmarked US \$670,000 of funds for multi-year agreements for TPMPs for Botswana, Equatorial Guinea, and Sierra Leone aimed at phasing out their entire CFC consumption. In total 31 countries received tranches of funding for multi-year projects to address the 2010 ODS control measures. Seven countries received funding for TPMP verification. Two stand-alone projects were also approved for Iraq: one in the foam sector and the other in the refrigeration sector.

2013 and 2015 HCFC control measures

Nineteen countries received funding for the preparation of HPMPs bringing the total number of countries with HPMP preparation funding to 126. A number of countries also received funding for preparation of the investment component of the HPMPs and requests for the project preparation for HCFC demonstration projects were approved for China and Egypt.

ODS disposal projects

Six countries received funding for preparation of ODS disposal projects (Brazil, Ghana, Indonesia, Mexico, the Philippines and Turkey).

Other projects

Other approvals by the Executive Committee included one to initiate regional cooperation to enforce ODS trade controls in Europe and Central Asia countries and methyl bromide projects in Chile (project preparation), Thailand and Yemen.

Country programme (decision 57/32)

The Executive Committee approved the country programme of Equatorial Guinea.

Cost considerations surrounding the financing of HCFC phase-out

Prioritization of HCFC phase-out technologies to minimize other impacts on the environment (decision 57/33)

In respect of climate benefits, the Committee discussed progress on the development of the functional unit approach as a basis for the prioritization of HCFC phase-out technologies to minimize other impacts on the environment. Recognizing that the document prepared by the Secretariat was a work in progress, and that it was not yet clear whether the functional unit approach would be the most effective, the Committee plans to examine four concrete examples of the application of the methodology to two technologies in the foam sector and two in the refrigeration sector at its 58th Meeting.

The Committee also discussed the issue related to the use of indicators to assess the climate impact at both the country level and the enterprise/sub-project level, and the question of how incentives might be associated with such indicators to give the desired priority to projects. Issues related to the type of incentives to be associated with the indicators being developed would be discussed no later than the 58th Meeting.

Second-stage conversions and of cut-off date (decision 57/34)

The Executive Committee continued its deliberations on policy relating to determination of the cut-off date and second-stage conversions for Article 5 countries with HCFC manufacturing facilities following its earlier discussions at the 56th Meeting (decision 56/65). The eventual outcome of it would have major consequences for the preparation of HPMPs.

New approaches were discussed, one of which entailed shifting incremental operating costs from direct payment to enterprises, as had been the practice, to payment to countries based on a percentage of the capital cost associated with the conversion from HCFCs to the most cost-effective non-HCFC technology available. Those resources could be used at governments' discretion to establish a framework to address climate related impacts. The other new approach involved a strategy for second-stage conversions beyond 2015 and even 2020, taking into account compliance needs and cost-effectiveness. Discussions would continue at the 58th Executive Committee meeting with the aid of a document to be prepared by the Secretariat compiling and analysing the new approaches proposed, and the intersessional comments from Members.

Production sector (decision 57/35)

Production Sector Sub-group

The Executive Committee reconvened the Production Sector Sub-group to finalize the work on elements for a future decision in respect to the HCFC production sector (decision 56/64). The sub-group, consisting of representatives of Australia (facilitator), Bolivia, China, the Dominican Republic, Georgia, Germany, Japan, Namibia, Sweden and the United States of America, addressed three issues including the technical audits in China, an analysis of costs

for production closure versus conversion to HFC-32 versus feedstock, and the issue of swing plants.

The Committee noted that, when preparing any production sector projects, it was understood that, in accordance with usual practice, preparation of production sector phase-out activities would start after the Executive Committee had decided to initiate a technical audit of relevant production facilities.

The Committee also requested the Secretariat to undertake an analysis of the technical feasibility of redirecting HCFC-22 production from controlled uses to feedstock uses for consideration at its 59th Meeting. If such redirection was found technically feasible, the analysis should consider options for ensuring that any redirection to feedstock uses was sustained. The analysis should also consider any costs for downstream facilities (for example those that produced polytetrafluoroethylene) associated with the redirected HCFC feedstock use. The Committee would consider a number of issues related to HCFC production phase-out at its 59th Meeting, including, but not limited to: Decision XIX/6 (paragraph 15) of the Nineteenth Meeting of the Parties, HCFC-141b production, cut-off dates and swing plants.

The sub-group also discussed the implications of the “Clean Development Mechanism” (CDM) for funding eligibility of swing plants and the Committee noted the information provided by the Secretariat and the amounts of HCFC-22 production available for credits.

Institutional strengthening beyond 2010 (decision 57/36)

Pursuant to decision 53/39, the Committee reviewed the current funding arrangements for institutional strengthening (IS) and capacity building in respect of the Montreal Protocol’s existing control measures including HCFC phase-out compliance obligations after 1 January 2010. Following discussions by an informal group set up to address HCFC policy issues and IS, the Executive Committee was of the view that future IS funding would need to be considered as part of a funding package in the context of HCFC phase-out. The Committee decided to continue to fund requests for the renewal of IS projects up to the end of December 2010 at current levels pending final resolution of the matter by the Executive Committee at its 58th Meeting. The Committee requested the Secretariat to continue its work on objectives, indicators and formats that were being developed in response to decision 56/6(b) in order to facilitate measuring IS achievements against expected results, so that they could be applied to requests for renewal of IS projects submitted by Article 5 countries from the beginning of 2010 onwards.

Facility for additional income from loans and other sources (decision 57/37)

The Committee considered four potential uses of a special funding facility within the Multilateral Fund which might potentially cover costs associated with climate benefits, as well as other additional environmental benefits which are not required for compliance with the Montreal Protocol. The first option would make funds available to undertake pilot projects for co-financing arrangements; the second option would be to attempt to obtain additional resources from public and private sources on either an ongoing or one-off basis; the third option built upon ongoing work in establishing relationships with other funding entities; and the fourth option would attempt to develop the facility further to enable it to

seek, house and manage credits for climate change benefits or ODS destruction from global carbon markets. The fourth option could benefit from any structures that had been established under the first three options.

The Committee would consider a further analysis with more information on the structural arrangements, legal implications, and issues of timing and of cash flows in particular with respect to the voluntary fund, co-financing and the market mechanism at the 58th Meeting and in this respect requested the Secretariat to prepare a paper on a special funding facility within the Multilateral Fund taking into account the views expressed by Members at the 57th Meeting together with any views received from Members during the intersessional period.

Reconciliation of 2006 and 2007 accounts (decision 57/38)

The Executive Committee noted that follow-up actions on the 2006-2007 reconciliation of the accounts exercise had been completed for UNDP, UNEP and UNIDO. The issue of a discrepancy of US \$105,494 recorded in 2006 UNEP's financial statement but not in its progress report had been resolved and UNEP had returned US \$45,161 surplus and the Treasurer who would offset this amount against future transfers to UNEP.

The 2006-2007 reconciliation exercise was pending two reports which would be submitted to the 59th Meeting. One report was requested from the World Bank regarding the amount of US \$303 excess in the World Bank's income and the other from the Treasurer verifying the double deduction of US \$1,510,471 from the transfers that had been made to the World Bank. The Executive Committee also requested the Treasurer to return US \$1,176,270 to the World Bank.

Operation of the Executive Committee (decision 57/39)

In 2008 at its 54th Meeting the Executive Committee had agreed not to reduce the frequency of Committee meetings due to the expected high workload in the lead-up to the accelerated HCFC phase-out schedule but had decided to review again the status quo of holding three meetings per year at the 57th Meeting (decision 54/43). After analyzing the Executive Committee's projected workload over the next three years, particularly with respect to the number of outstanding policy issues on HCFC phase-out, the Committee decided that it was desirable to maintain the status quo of three meetings per year. The Committee requested the Secretariat to organize one of the meetings over the next year with a four day, rather than five day format and to monitor the time and workload at Meetings of the Executive Committee as compared to meetings of the Parties to the Montreal Protocol and the Open-Ended Working Group (OEWG). The Committee would revisit the issue of the operation of Executive Committee Meetings at its 61st Meeting, taking into consideration the experience gained with the four day format and the analysis of time and workload.

Status of agreements to convert metered-dose inhaler manufacturing facilities in Article 5 countries and implementation of approved projects (decision 57/40)

In response to decision XX/4 of the Twentieth Meeting of the Parties, the Executive Committee decided to submit the report on status of agreements to convert MDI manufacturing facilities in Article 5 countries and implementation of approved projects to the

29th Meeting of the OEWG following the amendment of the draft report with an update on the current status of implementation of the MDI investment projects and clearance of the final report by the Chair of the Executive Committee.

Report on the progress made in reducing emissions of controlled substances from process agent uses (decision 57/41)

The Executive Committee requested the Secretariat to complete the report on the progress made in reducing emissions of controlled substances from process agent uses, taking into account comments provided by Executive Committee Members and, following approval of the final text by the Chair of the Executive Committee, to submit the report to the 29th Meeting of OEWG.

Environmentally sound management of ODS banks (decision 57/42)

The Executive Committee mandated the Secretariat to provide the Ozone Secretariat with a section on the Multilateral Fund's funding modalities for the report on possible funding opportunities for the management and destruction of ozone depleting substance banks. The report would be submitted to the 29th OEWG.

58th and 59th Meetings of the Executive Committee (Decision 57/43)

It was confirmed that the Executive Committee's 58th Meeting would be held in Montreal Canada from 6 to 10 July 2009 while the 59th Meeting would take place in Sharm El Sheikh from 10 to 14 November 2009, back-to-back with the Twenty-first Meeting of the Parties to the Montreal Protocol.

Report of the 57th Meeting

A complete record of all decisions made at the 57th Meeting, including those covered in this document, can be found in the 'Report of the Fifty-seventh Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol' (UNEP/OzL.Pro/ExCom/57/69) which is published on the Multilateral Fund's website (www.multilateralfund.org). The report is available in Arabic, Chinese, English, French, and Spanish.

Annex I - Attendance at the 57th Meeting of the Executive Committee

Executive Committee Members	Co-opted countries
Non Article 5	
Australia	Canada
Belgium	Netherlands
Germany	France, Italy and the United Kingdom
Japan	
Romania	
Sweden (Chair)	Austria
United States of America	
Article 5	
Bolivia	Argentina, Brazil, Colombia and Saint Lucia
China	India, Indonesia and Malaysia
Dominican Republic (Vice Chair)	Cuba and Mexico
Gabon	Mali and Morocco
Georgia	Armenia and Turkey
Namibia	Kenya
Yemen	Bangladesh, Kuwait and Qatar