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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-eighth Meeting
Montreal, 6-10 July 2009

UNDP'S WORK PROGRAMME AMENDMENTS FOR 2009

COMMENTS AND RECOMMENDATION OF THE FUND SECRETARIAT

1. UNDP is requesting approval from the Executive Committee of US \$1,145,100 for amendments to its 2009 Work Programme, plus agency support costs of US \$85,882.

2. The activities proposed in UNDP's Work Programme Amendments are presented in Table 1 below:

Table 1: UNDP's Work Programme Amendments

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL			
A1. Preparation for HPMP: requests for the investment components			
Cuba	Project preparation of investment projects	50,000	50,000
Kyrgyzstan	Project preparation of investment projects in foams	30,000	30,000
Mexico	Project preparation in Foam sector plan	150,000	150,000
Thailand	Project preparation in refrigeration and Air Conditioning sector (except air-to-air conditioning)	110,000	110,000
Subtotal for A1:		340,000	340,000
SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION			
B1. Renewal of institutional strengthening projects:			
Colombia	Renewal of institutional strengthening project (Phase VII)	275,600	*
Malaysia	Renewal of institutional strengthening project (Phase VIII)	279,500	*
Subtotal for B1:		555,100	*
B2. Technical Assistant:			
Global	Resource mobilization to address climate co-benefits in HCFC phase-out	250,000	*
Subtotal for B2:		250,000	
Total for sections A and B		1,145,100	340,000
Agency support costs (7.5 per cent for project preparation and institutional strengthening, and for other activities over US \$250,000, and 9 per cent for other activities under US \$250,000):		85,882	25,500
Total:		1,230,982	365,500

*Project for individual consideration or pending.

SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1. Preparation for HPMP: requests for the investment components:

Cuba: Preparation for HPMP investment activities: US \$50,000

Mexico: Preparation for HPMP investment activities: US \$150,000

Kyrgyzstan: Preparation for HPMP investment activities: US \$30,000

Thailand: Preparation for HPMP investment activities: US \$110,000

Project description

3. UNDP requested additional funds for the preparation of investment activities for four countries with approved HPMP preparation funding, listed above. In their submissions, UNDP provided basic information about the country's HCFC consumption and sectors where HCFCs are used, and how these

sector plans will link to a comprehensive HPMP, in particular for countries where implementation is being shared by more than one agency.

Secretariat's Comments

4. The Secretariat reviewed all the above submissions in detail, and finds that the information provided and the funding requested is consistent with decision 56/16(d).

5. In the case of Mexico and Thailand, these requests are in addition to what is being requested by UNIDO for other HCFC manufacturing sectors. The total funding requested for each of these two countries is within the limits set by decision 56/16(d) based on the countries' 2007 HCFC consumption. The Secretariat also noted that consultations have been held between UNIDO and UNDP and that there is a clear understanding on the division of responsibilities for each agency for these countries.

Secretariat's recommendation

6. The Secretariat recommends blanket approval for the requests for the preparation of the investment activities of the HPMP in the four countries above, at the level of funding indicated in Table 1 of this document.

SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION

B1. Renewal of institutional strengthening projects:

- (a) Colombia (Phase VII): US \$275,600
- (b) Malaysia (Phase VIII): US \$279,500

Project description

7. UNDP submitted the requests for the renewal of the institutional strengthening projects for Colombia and Malaysia. The descriptions of the request for these countries are presented in Annex I to this document.

Secretariat's comments

8. The Fund Secretariat reviewed the IS terminal reports and action plans submitted by the agency on behalf of the countries to support the renewal requests and finds that the reports are in order and consistent with requirements for such projects. Both these countries are in full compliance with the targets of the Montreal Protocol for 2007, and data submitted for Colombia under country programme reporting for 2008 for Colombia shows the same levels of compliance for this year. As of writing this document, Malaysia has not yet submitted its 2008 CP report. These submissions fully support the requests of these countries for the IS renewal for two years, as per usual practice. The Secretariat also notes that in light of decision 52/5(f), if Malaysia does not submit CP implementation data by the 58th Meeting, it may risk non-approval of the submitted IS request.

9. At the 57th Meeting, the Executive Committee decided in decision 57/36(b) to, *inter alia*, "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 Secretariat also notes that the re-issued paper for Funding IS beyond 2010 (UNEP/OzL.Pro/ExCom/58/48) will be discussed under agenda item 10. In view of this, the Secretariat seeks the Committee's guidance whether these requests for renewals could be funded for the full two years as per the usual practice following current funding levels, since the completion dates of the requested phases go beyond December 2010.

Secretariat’s recommendation

10. The Executive Committee may wish to consider these requests in view of decision 57/36(b). Once approved, the Executive Committee may also wish to express to the Governments of these countries the comments which appear in Annex I to this document.

B2. Technical assistance

Global: Resource mobilization to address climate co-benefits in HCFC phase-out: US \$250,000

Project description

11. UNDP submitted initially to the 57th Meeting a request for a technical assistance project for mobilizing resources to maximize climate benefits of HCFC phase-out, at a funding level of US \$250,000. This request is being resubmitted by UNDP for consideration by this meeting. The proposal includes a concept note describing the objectives, activities, as well as expected results of this project. The project description is included in the UNDP Work Programme Amendments submitted to this meeting.

12. The project will examine potential activities that may require co-financing of incremental climate benefits using various scenarios, review emerging methodologies for determining the climate benefits of HCFC phase-out, and commissioning new ones where appropriate. It will also attempt to assess risk and financial liabilities of different funding options for instance, carbon trading, and develop a marketing plan for potential buyers. All these activities will be done in close cooperation with the Multilateral Fund bodies as required.

13. The table below provides a breakdown of the US \$250,000 requested by the UNDP:

One team-leader (international consultant)	US \$45,000
Consultants costs	US \$169,000
Travel costs	US \$36,000
TOTAL	US \$250,000

14. The proposal also indicates that if the above funding can be provided by the Multilateral Fund, the same amount will be matched by UNDP with in-kind funding from their own sources to expedite the development of these methodologies.

Secretariat’s comments

15. Decision XIX/6 paragraph 11(b) of the Nineteenth Meeting of the Parties provided guidance to the Executive Committee to give priority to, *inter alia*, “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”, when looking at HCFC phase-out projects. The Executive Committee at its 54th Meeting agreed on a set of guidelines for the preparation of HCFC phase-out management plans (HPMP) and, at the 55th and 56th Meeting, approved funds for 115 countries for HPMP preparation.

16. The guidelines for HPMP preparation agreed in decision 54/39 included the provision for Article 5 countries to consider financial incentives and opportunities for co-financing in their final HPMPs, which could be relevant for ensuring that HCFC phase-out results in benefits in accordance with paragraph 11(b) of decision XIX/6 mentioned above.

17. The Secretariat noted that the results of the study proposed by UNDP may assist countries in examining options for co-financing at the time when HPMP preparation is taking place. It also notes that there is as yet no guidance from the Executive Committee on how climate benefits of HCFC phase-out are to be calculated, and whether these costs could be considered as incremental costs under the Multilateral Fund.

18. The Executive Committee at its 57th Meeting, discussed a facility for additional income from loans and other sources (document UNEP/Oz.L.Pro/ExCom/57/64), and requested the Secretariat in decision 57/37 to provide further analysis of this facility for consideration of the Committee at its 58th Meeting. The Secretariat notes that the resubmission of this proposal is in anticipation of a final decision on the facility at this meeting which may enable the possibility of funding resource mobilization.

Secretariat's recommendation

19. The Executive Committee may wish to consider this proposal in light of the information presented above, and in the discussion of Agenda item 11, Facility for additional income from loans and other sources.

Annex I

INSTITUTIONAL STRENGTHENING PROJECT PROPOSALS

Colombia: Renewal of institutional strengthening

Summary of the project and country profile	
Implementing Agency:	UNDP
Amounts previously approved for institutional strengthening (US \$):	
Phase I: mar-94	317,790
Phase II: mar-98	212,000
Phase III: mar-00	212,000
Phase IV: nov-02	275,600
Phase V: apr-05	275,600
Phase VI: jul-07	275,600
Total	1,568,590
Amount requested for renewal (Phase VII) (US \$):	275,600
Amount recommended for approval for Phase VII (US \$):	
Agency support costs (US \$):	
Total cost of institutional strengthening Phase VII to the Multilateral Fund (US \$):	
Equivalent amount of CFC phase-out due to institutional strengthening Phase VII at US \$12.1/kg (ODP tonnes):	n/a
Date of approval of country programme:	1992
ODS consumption reported in country programme (1992) (ODP tonnes):	1,156.5
Baseline consumption of controlled substances (ODP tonnes):	
(a) Annex A Group I (CFCs) (Average 1995-1997)	2,208.2
(b) Annex A Group II (Halons) (Average 1995-1997)	187.7
(c) Annex B Group II (Carbon tetrachloride) (Average 1998-2000)	6.1
(d) Annex B Group III (Methyl chloroform) (Average 1998-2000)	0.6
(e) Annex E (Methyl bromide) (Average 1995-1998)	110.1
Latest reported ODS consumption (2007) (ODP tonnes) as per Article 7:	
(a) Annex A Group I (CFCs)	263.1
(b) Annex A Group II (Halons)	0
(c) Annex B Group II (Carbon tetrachloride)	0.6
(d) Annex B Group III (Methyl chloroform)	0
(e) Annex E (Methyl bromide)	0
(f) Annex C Group I (HCFCs)	206.2
Total	469.9
Year of reported country programme implementation data:	2008
Amount approved for projects (US \$):	20,000,255
Amount disbursed (as at may 2009) (US \$):	14,724,824
ODS to be phased out (ODP tonnes):	1,868.7
ODS phased out (as at may 2009) (ODP tonnes):	1,437.0

1. Summary of activities and funds approved by the Executive Committee:

Summary of activities		Funds approved (US \$)
(a)	Investment projects:	15,193,502
(b)	Institutional strengthening:	1,568,590
(c)	Project preparation, technical assistance, training and other non-investment projects:	3,238,163
	Total:	20,000,255

Progress report

2. During Phase VI of Colombia's institutional strengthening project (IS), the National Ozone Unit (UTO) actively continued working towards the achievement of compliance with the Montreal Protocol phase-out schedules. As a result the country achieved compliance with the 85 per cent reduction measure of CFCs in 2007 and continued implementation of the National Phase-out Plan (NPP) to achieve total phase-out in 2010. Through the UTO, the country maintained compliance with the Montreal Protocol measures on consumption for all substances and on reporting. The UTO also participated and contributed actively to the different discussions taking place at regional meetings, Executive Committee meetings and Meeting of the Parties. During this phase, the Government of Colombia continued successfully implementing the activities contained in the CFC NPP. Among the achievements, the following could be mentioned: 3,500 technicians certified, 53 groups for training at national level were created or strengthened, 275 recovery machines and 57 R&R equipment distributed and awareness activities organized in 156 municipalities. Other activities coordinated by the NOU include the monitoring of the terminal umbrella project for foams with the visit of 57 benefited companies, preparation and approval of an investment project to convert the only MDI manufacturer in the country, completion of HCFC survey, identification and analysis of the laboratory uses given to CTC in the country, and implementation of a project on awareness to avoid the use of methyl bromide. As traditionally done in previous phases, the UTO was very active with the implementation of public awareness activities through TV/radio, newspapers, public presentations and celebration of the International Ozone Day.

Plan of action

3. The Phase VII of the IS project for Colombia will have special importance as the country will achieve total phase-out of CFCs by the end of 2009. During this phase the Government of Colombia through its UTO, aims to continue strengthening and ensuring sustainability of the activities being implemented in the servicing sector as part of the NPP (including the creation of five ODS reclaiming centers), complete the project to phase out CTC, complete the investment project in the MDI sector, start the preparation of the HCFC phase-out management plan for the country in accordance with the Decision XIX/6 of the Parties and subsequent decisions from the Executive Committee, and strengthen the legal framework that support activities mentioned above. As in previous phases, the NPP activities will continue being implemented through the regional focal points, to ensure impact in all regions.

Malaysia: Renewal of institutional strengthening

Summary of the project and country profile	
Implementing Agency:	UNDP
Amounts previously approved for institutional strengthening (US \$):	
Phase I: mar-93	306,817
Phase II: oct-96	209,477
Phase III: nov-98	178,116
Phase IV: dec-00	215,000
Phase V: nov-02	279,500
Phase VI: dec-04	279,500
Phase VII: nov-07	279,500
Total	1,747,910
Amount requested for renewal (Phase VIII) (US \$):	279,500
Amount recommended for approval for Phase VIII (US \$):	
Agency support costs (US \$):	
Total cost of institutional strengthening Phase VIII to the Multilateral Fund (US \$):	
Equivalent amount of CFC phase-out due to institutional strengthening Phase VIII at	n/a

US \$12.1/kg (ODP tonnes):	
Date of approval of country programme:	1990
ODS consumption reported in country programme (1990) (ODP tonnes):	1,904
Baseline consumption of controlled substances (ODP tonnes):	
(a) Annex A Group I (CFCs) (Average 1995-1997)	3,271.1
(b) Annex A Group II (Halons) (Average 1995-1997)	8
(c) Annex B Group II (Carbon tetrachloride) (Average 1998-2000)	4.5
(d) Annex B Group III (Methyl chloroform) (Average 1998-2000)	49.5
(e) Annex E (Methyl bromide) (Average 1995-1998)	14.6
Latest reported ODS consumption (2007) (ODP tonnes) as per Article 7:	
(a) Annex A Group I (CFCs)	234.2
(b) Annex A Group II (Halons)	0
(c) Annex B Group II (Carbon tetrachloride)	0
(d) Annex B Group III (Methyl chloroform)	5.8
(e) Annex E (Methyl bromide)	10.5
(f) Annex C Group I (HCFCs)	413.7
Total	664.2
Year of reported country programme implementation data:	2007
Amount approved for projects (US \$):	45,821,440
Amount disbursed (as at may 2009) (US \$):	42,397,160
ODS to be phased out (ODP tonnes):	6,446.3
ODS phased out (as at may 2009) (ODP tonnes):	6,149.1

4. Summary of activities and funds approved by the Executive Committee:

Summary of activities		Funds approved (US \$)
(a)	Investment projects:	39,702,958
(b)	Institutional strengthening:	1,747,910
(c)	Project preparation, technical assistance, training and other non-investment projects:	4,370,572
	Total:	45,821,440

Progress report

5. During its seventh phase, the institutional strengthening (IS) project of Malaysia continued to successfully, achieve and maintain compliance with the Montreal Protocol. Implementation of activities for the years 2007 and 2008 included awareness raising, hiring of 5 enforcement officers, workshops on Refrigeration Servicing Sector (RSS) and MAC servicing. Trainings for end-users on recycling and CFC recovery were also conducted. Training workshops with Malaysia Royal Customs were carried out, emphasizing on control on importation of ODS and usage, prevention of illegal trade and also the use of Refrigerant Identifier at custom entry point. Seminars on phasing-out CFC based MDI's were carried out in collaboration with National Pharmaceutical Control Bureau. Seminars on HCFC were conducted to raise awareness among the industries. An inception workshop was organized to kick-start the preparation of the HPMP.

Plan of action

6. For the new phase, the main objectives of Malaysia's IS project are:

- To provide more effective administration of national institutional mechanism for coordinating national and international efforts for the protection of the ozone layer;
- To plan an effective elimination and control measures on the imports of ODS (Approved Permit System), ODS HS Code and monitoring of illegal trade of ODS;

- To strengthen the mechanism on information exchange and dissemination and to promote activities, outreach programmes related to the ODS phase out in the country;
- To audit, implement and monitor ODS phase-out projects approved by the MLF and to identify, prepare, review, and monitor any new proposed projects in future;
- To strengthen current implementing capacity of NOU and to facilitate expeditious implementation of projects to reduce CFC consumption.

Annex II

VIEWS EXPRESSED BY THE EXECUTIVE COMMITTEE ON RENEWALS OF INSTITUTIONAL STRENGTHENING PROJECTS SUBMITTED TO THE 58th MEETING

Colombia

1. The Executive Committee has reviewed the terminal report presented with the institutional strengthening project renewal request for Colombia and notes with appreciation the outstanding achievements made by Colombia's National Ozone Unit during the implementation of the Sixth Phase. In particular the Executive Committee notes the progress made by Colombia towards achieving the 85 per cent reduction in CFC in 2007 and maintaining compliance in 2008 with the schedules established in all the controlled substances. The Executive Committee also notes the implementation of recent phase-out projects in key ODS-consuming sectors such as CTC and MDI, and the continuation of already existing activities under the National CFC Phase-Out Plan through the regional centers established. The Executive Committee commends the Government of Colombia for its achievements during the current phase and expresses the expectation that, in the next two years, Colombia will continue the implementation of its programmed activities with outstanding progress, and will sustain and build upon its current levels of reductions in CFCs.

Malaysia

2. The Executive Committee has reviewed the report presented with the institutional strengthening project renewal request for Malaysia and notes with appreciation that Malaysia reported data in 2007 to the Ozone Secretariat that was lower than its 1995-1997 average CFC compliance baseline and that has met the 85 per cent reduction target of the Montreal Protocol. The Executive Committee greatly supports the efforts of Malaysia to reduce the consumption of ODS. The Executive Committee is therefore hopeful that, in the next two years, Malaysia will continue with the implementation of its country programme and national phase-out activities with outstanding success.

**EXECUTIVE COMMITTEE OF THE MULTILATERAL
FUND
FOR THE IMPLEMENTATION OF THE
MONTREAL PROTOCOL
(58th Meeting, 06 – 10 July 2009, Montreal)**

2009 WORK PROGRAMME AMENDMENT

UNITED NATIONS DEVELOPMENT PROGRAMME

**Requests for funding for Project Preparation, Investment and Non-
Investment Projects at the 58th Executive Committee Meeting**

May 2009

2009 UNDP WORK PROGRAMME
58th Executive Committee Meeting (06-10 July 2009, Montreal)

This Work Programme document contains all UNDP non-investment and project preparation programmes that are being requested at the 58th Meeting of the Executive Committee. These requests amount to US\$ 3,324,091 plus US\$ 251,557 of support cost.

1. Institutional Strengthening Renewal Requests.

The following Institutional Strengthening Renewal Requests are being submitted at the 58th meeting of the Executive Committee. They are being submitted individually and are therefore not annexed to this report:

No	COUNTRY	TITLE	BUDGET	SUPPORT COST (7.5%)	TOTAL
1	Colombia*	Institutional Strengthening Phase VII	275,600	20,670	296,270
2	Malaysia	Institutional Strengthening	279,500	20,963	300,463
Sub-total: Institutional Strengthening			555,100	41,633	596,733

- Submitted separately

2. Requests for Activities related to HCFCs

2.1. New Preparatory Funds for HCFC Phase-out Management Plans (HPMPs)

Nr	COUNTRY	TITLE	BUDGET	SUPPORT COST	TOTAL	REMARKS
1	Thailand	PRP for HPMP in refrigeration and Air Conditioning sector (except air to air conditioning subsector)	110,000	8,250	118,250	In line with the Committee's approval at its 57 th meeting for UNDP to include this entry in UNDP 2009 Business Plan. UNDP coordinated with UNIDO and World Bank on the sidelines of the 57 th ExCom meeting, in addition to continuing consultations with Thailand. The proposed preparation funding request from UNDP reflects the understanding reached during these consultations. Thailand government (through letters already submitted at the 57 th ExCom meeting) has already confirmed the division of work among agencies. The inputs from the sectors allocated to UNDP so far, will feed into the overarching HPMP strategy for Thailand.
Sub-total: New HPMP Preparation			110,000	8,250	118,250	

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The breakdown for sector-level HCFC consumption in Thailand is only an estimate because:

- (a) The HCFC consuming sectors defined in Decision 56/16 are different than those traditionally reported through CP Progress Data (the CP progress data has only two columns for Refrigeration and Air Conditioning – Manufacturing and Servicing), XPS foam sector is not segregated and Aerosols/Firefighting are not defined as HCFC sectors as per 56/16.
- (b) Thailand was not one of the UNDP HCFC survey countries, so at present there is no reliable information through that source.

The estimate is therefore based on whatever we can from the previous data reporting.

As per 2007 A7(f) Data Reporting, the breakdown of consumption of various HCFCs in Thailand was as below:

Substance	ODP
HCFC-123	1.95
HCFC-141b	176.96
HCFC-142b	0.42
HCFC-22	693.63
Total	872.96

Of the above, the consumption of HCFC-123 and HCFC-22 can be assumed to be in the Refrigeration and Air Conditioning (total 695.58 ODP tonnes). Going by experience in other similar-sized countries, the expected consumption in Servicing could be about 50% (@ 348 ODP tonnes), which leaves @348 ODP tonnes in manufacturing (needs to be confirmed). We can expect about 40% of the RAC manufacturing to originate from air-to-air air conditioning systems (~139 ODP tonnes).

Thus the remaining consumption of 209 ODP tonnes can be ascribed to the two sectors, namely, Refrigeration and Air Conditioning (except air-to-air air conditioning) and including servicing, which are assigned to UNDP. As a percentage of the total consumption, sectors assigned to UNDP account for about 24% (209 ODP tonnes out of a total of 873 ODP tonnes).

2.2. Preparatory Funds for HCFC Investment Activities

NO	COUNTRY	TITLE	BUDGET	SUPPORT COST (7.5%)	TOTAL	REMARKS
1	Cuba	PRP for preparation of investment projects.	50,000	3,750	53,750	Additional PRP funds for the preparation of investment projects in Manufacturing Sector. Presently we have identified one company that produces Domestic Refrigerators (INPUD) and one company that produces window and split air conditioning system (AIRCUB). UNDP on behalf of the government of Cuba would like to request PRP for the preparation of the investment projects in Cuba. Cuba reported in 2008 in its art 7 data a total consumption of 47,75

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						metric tons of R-22 for manufacturing. UNDP is the only agency assisting Cuba to develop the HPMP.
2	Mexico	PRP for preparation of Foam Sector Plan	150,000	11,250	161,250	Preparation of Sector Plan for Foam in Mexico. UNDP is requesting 150.000 US\$ on behalf of the Government of Mexico for the preparation of investment projects for a sector plan on Foam in Mexico. The consumption of HCFC 141b for Foams in Mexico in 2007 was 6.303 tons. The funds will be utilized to prepare the investment projects for the Foam Sector in Mexico. The HPMP preparation will determine the actual number of projects in this sector that will be a part of Phase I of the HPMP. Mexico has much more than 15 enterprises in the Foam Sector.
3	Kyrgyzstan	PRP for investment activities in foams	30,000	2,250	32,250	The country reported consumption of 141b in its Art 7 reporting in 2007. Presently, one company has been found to be operational in Kyrgyzstan in polyurethane foam sector. It uses HCFC-141b to manufacture sandwich panels. The enterprise consumed 209 metric tons of HCFC-141b in 2008. UNDP is the only agency that assists the Government to develop HPMP.
Sub-total: Additional HPMP Preparation			230,000	17,250	247,250	

2.3. Funding request for Pilot Projects for validation of HCFC alternatives

NO	COUNTRY	TITLE	BUDGET	SUPPORT COST	TOTAL	REMARKS
1	Brazil*	Pilot Project for Validation of Methylal on Foams	464,200	34,815	499,015	
2	Egypt*	Validation of Low-Cost HCs in Foams.	473,000	35,475	508,475	
Sub-total: Pilots for HCFCs and related PRP-requests			937,200	70,290	1,007,490	

- Submitted separately

3. Resource Mobilization to Address Climate Co-Benefits in HCFC phaseout

Nr	COUNTRY	TITLE	ODS	PROJECT VALUE	SUPPORT COST	TOTAL FUNDING US\$
	Global	Resource Mobilization to address climate co-benefits in HCFC Phaseout	GLO	250,000	18,750	268,750

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Sub-total: Resource mobilization		250,000	18,750	268,750
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UNDP has included US \$250,000 in its 2009 MLF business plan for the purpose of resource mobilization to address climate co-benefits. UNDP has significant experience in the carbon financing sector which it can leverage to assist in the development of a sound approach to the co-financing of incremental climate benefits (whether from the market or on a cost-coverage basis).

Further to discussions that took place at the 57th meeting, this request is being re-submitted for the Executive Committee 's re-consideration. The details can be found in annex 1 of this document.

4. Other Activities

NO	COUNTRY	TITLE	BUDGET	SUPPORT COST	TOTAL	REMARKS
1	Costa Rica	Terminal Phase-out Management Plan	165,000	12,375	177,375	
2	Dominican Republic	CFC Phase out Plan	200,000	15,000	215,000	
3	Haiti	Terminal Phase-out Management Plan	150,000	13,500	163,500	
4	Lebanon*	National CFC Phase out Management Plan (report)	0	0	0	
Sub-total: Other activities			515,000	40,875	555,875	

- Submitted separately

ANNEX 1 - Resource Mobilization to Address Climate Co-Benefits in HCFC phaseout

UNDP and the Carbon Finance agenda

UNDP has been an active participant in the carbon finance arena over the last five years and has more recently established the MDG Carbon Facility which offers project development and management services to the growing number of Clean Development Mechanism (CDM) and other projects in the compliance market. As far as CDM access is concerned, generally only large countries have had the benefit of it and therefore UNDP has been focusing on the technological and geographical expansion of the scope of projects covered under the CDM. In this context, the MDG Carbon Facility sees itself as an innovative force in the field of carbon finance with development goals as core principle.

One of the areas in which the UNDP MDG Carbon Facility is seeking to enlarge its activities is in the burgeoning voluntary carbon market. Consistent with UNDP's pioneering spirit, an expansion of scope is already foreseen in respect of non-Kyoto gases. In particular, the opportunity exists to extend activities into the funding of appropriate projects covering ozone depleting substances (ODS), an area where UNDP has long-standing expertise having acted as an Implementing Agency for the Multilateral Fund since its inception in the early 1990s. UNDP's current role as Lead Agency for a very significant number of countries seeking to phase-out HCFCs under Decision XIX/6 puts the agency in a unique position to identify and develop appropriate projects.

ODS Project Opportunities

UNDP sees clear opportunities for projects in at least two areas:

1. Bank management and ODS disposal projects – particularly related to the end-of-life management of appliances.
2. Co-funding opportunities in HCFC phase-out where additional climate benefit can be gained by additional investment in technology selection.

For example, there are clear possibilities to use linkages with other programmes such as energy efficiency actions under the GEF to identify projects and leverage access to old appliances in order to ensure appropriate end-of-life management, and tap into country specific initiatives towards energy savings gains in appliance replacement national programmes.

Coordination with the Multilateral Fund and its Secretariat

It is recognised that both project areas are of significant interest to the Executive Committee of the Multilateral Fund, since the Committee is required to give priority to cost-effective projects that optimise climate benefit under Decision XIX/6. The mechanisms by which such benefits are assessed are still under development, but UNDP is actively coordinating with the MLF Secretariat to ensure that approaches to the subject are consistent.

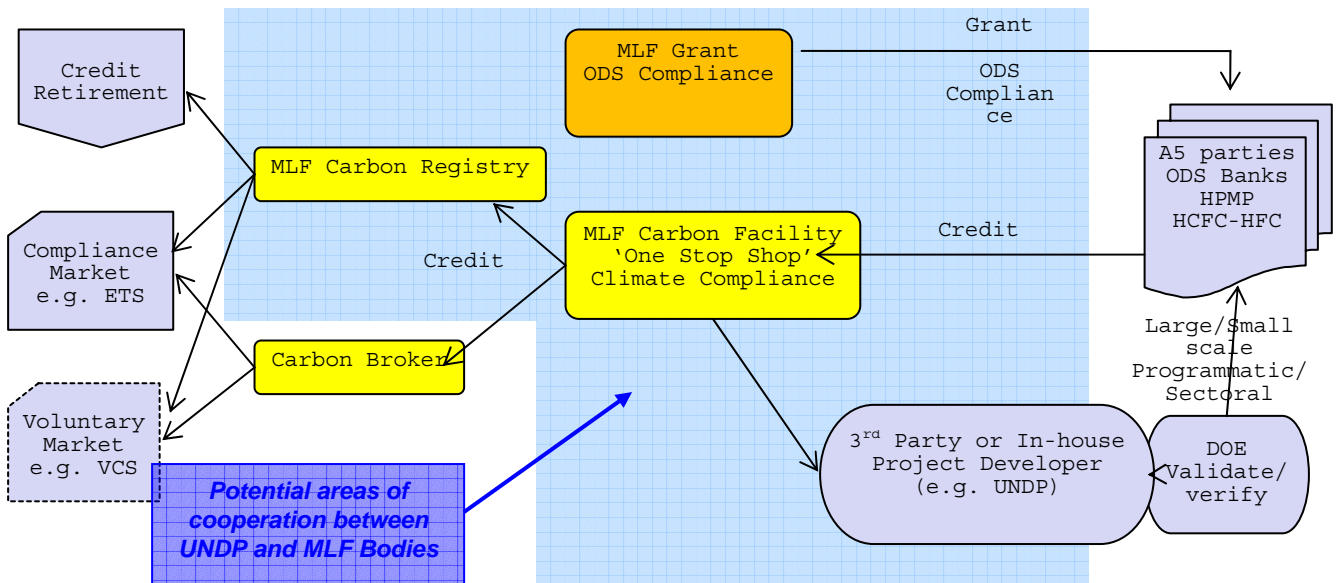
Apart from the evaluation of climate benefit itself, UNDP is keen to work with the Secretariat on mechanisms for accessing co-funding and, in particular, in enhancing the reputation (and value) of credits generated and placed on the carbon market in the face of some concern among some stakeholders that projects involving high-GWP gases are likely to result in a glut of poorly defined

ANNEX 1 - Resource Mobilization to Address Climate Co-Benefits in HCFC phaseout

credits.

UNDP believes that a dedicated registry could provide a significant contribution to this process and wishes to work with the MLF Secretariat to optimise the interaction between the market framework and the projects themselves.

There are a number of potential models that may ultimately be applicable. To illustrate, the following diagram indicates just one option:



Proposed Activities in 2009

UNDP has significant experience in the carbon financing sector which it can leverage to assist in the development of a sound approach to the co-financing of incremental climate benefits (whether from the market or on a cost-coverage basis). The Montreal Protocol Unit of UNDP has vast experience in the area of ODS projects but has no dedicated budget to seek to apply the carbon financing ‘best practice’ possessed within UNDP via MDG Carbon.

Such a combined and synchronised resource could provide substantial added value to the deliberations of the Executive Committee of the Multilateral Fund and its Secretariat on the co-financing of climate benefits and could offer a proving ground for key ideas. The Montreal Protocol Unit therefore proposes the following steps in 2009:

- 1) Identification and documentation of potential exemplar projects requiring co-financing of incremental climate benefits in the following areas:
 - a. An MLF funded project where incremental climate benefits will come at a cost of >\$25 per tonne of CO₂ saved
 - b. An Article 5 project where the HCFC phase-out is not funded under the MLF but could be funded from the proceeds of the incremental climate benefit.
 - c. An Energy Efficiency project (e.g. GEF) in which E-o-L management of ODS would bring incremental ozone and climate benefits.

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- d. A stand-alone bank management./ODS destruction project which could be based on an existing methodology
- 2) On-going review of emerging methodologies in support of any of the four project types identified above.
- 3) Commissioning of new methodologies, where appropriate, to address specific project types in an environmentally sound fashion
- 4) Assessing risk and financial liabilities and cost effectiveness of different trading options
- 5) Marketing Business Plan and identification of potential buyers
- 6) Coordination and reporting to MLF Bodies on findings and potential pitfalls

Resource Requirements

UNDP estimates that it will need to commit resources of around **\$250,000** plus support costs in 2009 to cover UNDP MPU staff and external expert consulting services. In addition, UNDP would require in house expertise from the MDG carbon facility.

If the above seed funding is available from the MLF, **UNDP is prepared to match that in co-finance**, to cover for the time of its Carbon Finance team and related operational costs (US\$ 250,000) that would be used to fully backstop MPU team and provide legal support as well as share with the Secretariat the UNDP's experience in setting many Facilities, among them the MDG Carbon and UN REDD Facilities.

Additional Information on Outputs and Inputs for this proposal further to Comments received from the MLFS

Four different scenarios have been identified that could benefit from co-funding (a to d). Some of the valuable outputs from assessing these four exemplar projects would be an assessment of the extent to which:

- Existing methodologies are available
- There are precedents of such projects already available
- There are would-be partners who would work with the MLF on co-funding
- There is acknowledgement that these could fit into a wider funding framework with linkage between Executive Committee of the MLF and the Executive Board of the CDM

This could be documented in a Report which uses the 'particular' to drive thinking on the 'funding framework' required. We could envisage a four-by-four matrix of the projects assessed against the items listed above (this may not be exhaustive)

Items (2) and (3) on the deliverables list are really only examples of what might need to be done to facilitate the accessibility of carbon finance for these four project types.

Therefore, we do not see this yet as progressing immediately to four concrete project proposals. We are looking for the best ultimate solution to encapsulate all four project types rather than to take what is already 'on-the-shelf' and applying it with the risk that this will potentially not fit the project in mind.

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We therefore envisage the following steps in the process, which would probably constitute the major headings of the report UNDP plans to produce:

1. A full analysis of the four project types and their potential climate benefits
2. A review of existing carbon financing options and the pros and cons of each of them
3. Some ideas on how these project types could be incorporated within one mechanism
4. Existing barriers to such a mechanism and the actions required to remove those barriers

The added value that the UNDP involvement brings is in 'concrete examples' of the type of project that is 'out there' as well as a broad overview (via MDG Carbon) of the wider fit within the carbon agenda.

Regarding the team to deliver (re "inputs"), UNDP would suggest the following (subcontracts with consultancy-firms with teams of experts may be selected in lieu of individual consultants if found to be more suitable):

1. One team-leader (international consultant) overlooking the whole study (US\$ 45,000)
2. 4 international consultants characterizing in detail the four project types outlined (US\$ 104,000)
3. 4 international consultants providing the assessment of the barriers and taking agreed steps to assist in removing them (e.g. methodology development) (US\$ 65,000).
4. Travel costs to organize meetings with various donor funds and other interested parties that may be involved in this study (US\$ 36,000).

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Total à US\$ 250,000