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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Sixteenth Meeting
Montreal, 15-17 March 1995

**REPORT OF THE SIXTEENTH MEETING
OF THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL**

I. INTRODUCTION

1. The Sixteenth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol was held at Montreal from 15 to 17 March 1995. The Meeting was convened in pursuance of decision IV/18 adopted at the Fourth Meeting of the Parties to the Montreal Protocol, held at Copenhagen from 23 to 25 November 1992 (UNEP/OzL.Pro/4/15), and decision VI/7 adopted at the Sixth Meeting of the Parties, held at Nairobi on 6 and 7 October 1994 (UNEP/OzL.Pro/6/7).

II. ORGANIZATIONAL MATTERS

A. Opening of the Meeting

2. The Meeting was opened by Mr. John Whitelaw (Australia), Chairman of the Executive Committee, who welcomed participants, and emphasized that the Fund was facing many challenges. Even though the rate of payment of contributions to the Fund was high, thereby demonstrating the commitment of non-Article 5 countries to protection of the ozone layer, resources were limited and agreement would have to be reached on a mechanism that would allow the Executive Committee to continue to approve projects.

B. Attendance

3. The Meeting was attended by representatives of the following countries, members of the Executive Committee in accordance with decision VI/7 adopted by the Parties at their Sixth Meeting:

- (a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Australia, Austria, Denmark, Japan, Poland, United Kingdom and United States of America.
- (b) Parties operating under paragraph 1 of Article 5 of the Protocol: Algeria, Argentina, Cameroon, China, Colombia, Iran (Islamic Republic of) and Thailand.

4. In accordance with the decisions taken by the Executive Committee at its Second and Eighth Meetings, representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) and the World Bank attended as observers.

5. A representative of the President of the Bureau of the Meeting of the Parties to the Montreal Protocol and the President of the Implementation Committee also attended.

6. Representatives of the Ozone Secretariat and the Secretariat of the Global Environment Facility (GEF) attended as observers.

7. Representatives of the Commission of the European Communities, Commonwealth Science Council, Alliance For Responsible Atmospheric Policy (ARAP), Friends of the Earth, Greenpeace, Société du centre de conférences internationales de Montréal, State University of New York at Albany, and the Université du Québec à Montréal also attended the Meeting as observers.

C. Adoption of the agenda

8. The Meeting adopted the following agenda:
 1. Opening of the Meeting.
 2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work.
 3. Secretariat activities.
 4. Financial matters:
 - (a) Contributions and Fund disbursements;
 - (b) Report by the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review on ways and means to address the shortfall;
 - (c) The administrative costs of the financial mechanism - a supplementary note;
 - (d) Relationship between contingency, support and institutional strengthening costs.
 5. Requests for bilateral cooperation.
 6. Implementing agencies:
 - (a) Progress report:
 - UNEP progress report.
 - (b) Work programmes:
 - Consolidated work programme;
 - 1995 UNDP work programme;
 - 1995 UNEP work programme;
 - 1995 UNIDO work programme;
 - 1995 World Bank work programme.
 7.
 - (a) Report of the Ad Hoc Working Group on Project Preparation and Evaluation;
 - (b) Procedural modification to assist policy communications.
 8. Proposal on a modified Fund management system: sequential funding.

9. Technology upgrades.
10. Incremental operating costs and savings in the halon portable fire extinguisher sub-sector.
11. Methodology for calculation of operational costs in methylene chloride projects.
12. Methodology for treatment of test equipment requirements in the domestic refrigeration sector.
13. Other matters.
14. Adoption of the report.
15. Closure of the Meeting.

D. Organization of work

9. The Meeting agreed to consider agenda items 4 (b), 4 (d) and 8 together.

III. SUBSTANTIVE MATTERS

Agenda item 3: Secretariat activities

10. The Chief Officer reported on the activities of the Secretariat since the Fifteenth Meeting and introduced document UNEP/OzL.Pro/ExCom/16/2.
11. The Executive Committee took note with appreciation of the report on Secretariat activities.

Agenda item 4: Financial matters:

(a) Contributions and Fund disbursements

12. The Treasurer introduced document UNEP/OzL.Pro/ExCom/16/3/Rev.1. He said that, if the request by the Government of Germany for bilateral cooperation was approved by the Executive Committee, the amount of US \$1,336,918 would be credited against the promissory note issued by Germany since it had already paid its 1994 contribution in full. The Fund balance available for projects would be reduced accordingly.
13. The request by the Government of Germany was subsequently approved by the

Executive Committee (see paragraph 37(b) below). The status of the Fund adjusted in the light of the approval of this request is attached as Annex I.

14. Regarding the procedure for dealing with promissory notes, the Treasurer said that there were three options and he would like to receive clear instructions from the Executive Committee on which procedure to follow. Firstly, promissory notes could be made out to UNEP, but endorsed to an implementing agency, the simplest procedure being to endorse them to the World Bank. Secondly, to avoid bureaucratic complications, he could request Governments to make the promissory notes out directly to an implementing agency once a project had been approved. Thirdly, UNEP could encash the promissory notes and transmit funds to the implementing agencies as and when they were required, but that would involve additional administrative costs.

15. Some representatives said that their Governments could legally only make out promissory notes in the name of UNEP. The situation did, however, vary from Government to Government. A representative said that the choice of procedure was a practical matter which should be addressed by individual governments with the Treasurer and the implementing agencies.

16. The Executive Committee requested the Treasurer to hold further consultations with the Chief Officer and the implementing agencies so as to define the most effective procedure and to report to the Seventeenth Meeting of the Executive Committee on the outcome.

(b) Report by the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review on ways and means to address the shortfall

17. The representative of the United Kingdom, speaking as Chairman of the Sub-Committee on Project Review, introduced the report of the joint meeting (UNEP/OzL.Pro/16/SC/L.1) explaining that the objective of the meeting had been to recommend a framework that was transparent, objective and fair, and addressed the situation where the projects submitted exceeded the resources available. Under the framework, resources would be divided into distinct slices for various categories of projects, including slices for low-consuming countries and support projects. He emphasized that the procedure would not mean that some projects would be rejected but simply that their approval would be delayed until resources became available. Further work still had to be done on such matters as the percentage of resources to be allocated to each category of project and the definition of cost-effectiveness sector thresholds, but the framework was flexible and could be adjusted to changing circumstances.

18. The representative of Austria, speaking as Chairman of the Sub-Committee on Financial Matters, said that the joint meeting also recommended that the Executive Committee develop a process whereby an approved project that remained unimplemented for a certain period would be reviewed with a view to amendment or cancellation. The meeting had not discussed the details of what an appropriate period would be, which was a matter to be agreed upon in consultation with the implementing agencies.

19. The Executive Committee endorsed the recommendation of the joint meeting in paragraph 18 above.

20. In the discussion on the report of the joint meeting, one representative, supported by a number of others, said that the countries operating under Article 5 had agreed to the prioritization of projects on a temporary basis. The Committee should, however, propose to the Seventh Meeting of the Parties, through the Open-ended Working Group at its Eleventh Meeting, that pledges should be increased for 1996 and subsequent years since the level of funding was not commensurate with the phase-out requirements of the Article 5 countries. One of the representatives speaking in support of that proposal expressed the hope that further consideration would be given to a mechanism for the review and monitoring of projects in order to ensure that the resources available were effectively utilized. Another representative, noting that the resources would be insufficient, even if all contributions were paid, considered that the Executive Committee was duty bound to explain that resources must be increased as soon as possible, since the present situation could jeopardize the survival of certain industries.

21. Another representative, supported by one other, said that the Executive Committee should not recommend a change in level of funding for the triennium 1994-1996. That level had been agreed upon by all concerned and should be maintained in the same way as the level of contributions for the previous triennium had not been adjusted when it became clear that it exceeded by far the amount that could be spent. It would, however, be appropriate for the Executive Committee in its report on the status of the Multilateral Fund to draw the attention of the Parties to the fact that demand for funding exceeded the availability of resources. In response, a representative said that, in the first place, it had not been possible to foresee that there would be a surplus until the end of the 1991-1993 triennium and secondly that that surplus had been carried over to the following triennium with contributions for 1994-1996 reduced accordingly.

22. An observer expressed her organization's support for urgent action on contributions to the Multilateral Fund. More funds were needed now because of the great efforts and progress being made by Article 5 countries towards protection of the ozone layer. It was therefore important for all Parties to the Protocol to be given the opportunity to readjust past thinking in order to support those countries' commendable actions.

23. On the proposal of the Chairman, the Executive Committee approved the framework as proposed by the Sub-Committees.

24. It was also agreed that the Sub-Committees should reconvene during the Meeting in order to establish the mechanism and details of operation of the agreed framework.

25. The representative of the United Kingdom, speaking as Chairman of the Sub-Committee on Project Review, subsequently reported on the outcome of the reconvened joint meeting of the two Sub-Committees. He said that the meeting had discussed two options for the operation of the framework whereby projects could be prioritized. Under the framework, a cost-effectiveness threshold for each sector or sub-sector would be agreed and the implementing agencies would

be instructed to present projects whose cost-effectiveness fell below that threshold. Under the first option, preferred by a majority of participants in the meeting, the Executive Committee would approve the eligible projects, but if the projects submitted exceeded the resources available it would approve projects up to the amounts available. Any remaining eligible projects would be for priority funding at the next meeting. Under the second option, all projects submitted for approval would have to conform to a table elaborated by the Sub-Committee on Project Review. The Executive Committee would approve projects up to the amounts available and the remaining projects would have to be resubmitted at a subsequent session of the Executive Committee. Under both options, the Executive Committee would have a discretionary fund which could be applied to projects or sectors it might wish to target. In addition, special consideration would be given to the small- and medium-size ODS-consuming enterprises and to countries that had not yet benefited from resources from the Multilateral Fund. The targets fixed might have to be revised after their initial period of use, but they could then be reviewed annually. He explained that the precise figures would be calculated on the basis of data on historical values and projects in the pipeline.

26. One representative proposed a third option: projects falling within the cost-effectiveness threshold but not approved on their first submission to the Executive Committee would compete on an equal footing with other projects in the same sub-sector at the next meeting of the Executive Committee. If they were still not accepted, they would be resubmitted to a third Executive Committee meeting and would be the first to be approved.

27. Several representatives took the floor to explain their preferences for one or the other method.

28. A number of representatives considered that, in the absence of unanimity, the matter should be studied further.

29. One representative proposed that the cost-effectiveness threshold for low-ODS-consuming enterprises should initially be fixed at 2.5 times that for the large-ODS-consuming enterprises and that it could be revised subsequently in the light of experience.

30. Another representative stressed the need to use resources to maximum effect and cautioned against placing too much emphasis on low-ODS-consuming countries, since that could dilute efforts to protect the ozone layer.

31. Another representative sought assurances that the implementing agencies would utilize the figures fixed equitably. He also suggested that those countries that had not yet received funds should be placed on a different level. In his view, projects which exceeded the threshold should be placed on a waiting list and given priority over new projects.

32. 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

- (d) Decided to review the above values at the Eighteenth Meeting;
- (e) Recognized that in some domestic refrigeration projects using hydrocarbon technologies there are significant costs related to the provision of safety equipment and agreed that in calculating the cost-effectiveness of such projects, the safety-related costs should be identified and deducted from the total project cost before the cost-effectiveness calculations are made. These costs would, however, be considered in determining the level of project costs and funding;
- (f) Noted that it was difficult to determine cost-effectiveness thresholds for the mobile air conditioner and compressor sub-sectors and therefore agreed that an amount of US \$8,900,000 should be reserved for funding these projects in 1995;

- (g) Agreed to reserve:
- (i) US \$8,379,591 as a discretionary fund which could be applied to projects, sectors, or countries it might wish to target or give special consideration to in 1995;
 - (ii) US \$3,900,000 for funding recycling projects (including halon banking);
 - (iii) 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;
 - (iv) US \$5 million to cover 1995 implementing agency work programmes and support projects, US \$3,157,851 of which had been approved at the current meeting under agenda item 6;
 - (v) US \$13 million to account for bilateral activities that could be applied against 1995 contributions from non-Article 5 countries;
- (h) Recommended that the Seventh Meeting of the Parties, through the Open-ended Working Group of the Parties at its Eleventh Meeting, should give consideration to the following:
- (i) That, as a consequence of active and welcome action within Article 5 countries, there had been a substantial increase in project development and presentation and, therefore, in funding requests;
 - (ii) In this regard, the level of contributions agreed for the 1994-1996 period, was not expected to enable approval in 1995 of a significant proportion of projects that had already been identified by implementing agencies and Article 5 countries; and
 - (iii) The current difference between available funds and anticipated project requests could mean that the phase-out efforts of Article 5 countries would be slower than otherwise possible and could also be expected to create a number of other difficulties in smooth implementation of Article 5 ODS phase-out programmes.

- (c) The administrative costs of the financial mechanism - a supplementary note; and
- (d) Relationship between contingency, support and institutional strengthening costs

33. In considering agenda items 4 (c) and (d), the Committee had before it documents UNEP/OzL.Pro/ExCom/16/4, UNEP/OzL.Pro/ExCom/16/5 and Add.1.

34. The Chairman of the Sub-Committee on Financial Matters reported that the joint meeting of the Sub-Committees had had a useful exchange of views with the implementing agencies, and now had a clearer picture of exactly what was covered under the terms contingency costs, support costs and institutional strengthening costs. They had been encouraged to hear from the implementing agencies that, because of experience gained, those costs were likely to drop considerably in the future. Some members of the Sub-Committees, however, had expressed concerns that ineligible elements were being funded under those headings, and in consequence the joint meeting of the Sub-Committees recommended that the implementing agencies and the Secretariat should provide clearer and more extensive information for the Seventeenth Meeting of the Executive Committee.

35. The Executive Committee endorsed the recommendation of the joint meeting that clearer and more extensive information should be provided by the implementing agencies and the Secretariat.

Agenda item 5: Requests for bilateral cooperation

36. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/16/6.

37. The Executive Committee:

- (a) Approved the request of the Government of the United States to credit US \$523,937 against its 1995 contribution to the Fund for the following activities:

<u>Country</u>	<u>Project</u>	<u>US \$</u>
Argentina	MACs servicing demonstration	170,000
China	MACs servicing demonstration	172,500
China	Refrigeration management demonstration project preparation	39,000
China	Halon leak reduction demonstration	142,437
Total		523,937

- (b) Approved the request of the Government of Germany to credit US \$1,336,918 against its 1994 contribution to the Fund and the request of the Government of the United States to credit US \$1,643,865 against its 1995 contribution to the Fund for the following activity:

<u>Country</u>	<u>Project</u>	<u>US \$</u>
China	Staged project to produce CFC-free refrigerators in China (Stage 1b, Field Testing, and Stage 2, Changeover of foam blowing agent to cyclopentane and refrigerant cycle to isobutane at the Haier Refrigerator Factory)	2,980,783

Agenda item 6: Implementing agencies

- (a) Progress report:

- UNEP progress report

38. The representative of UNEP introduced UNEP's progress report (UNEP/OzL.Pro/ExCom/16/7).

39. The Executive Committee took note with appreciation of the progress report of UNEP.

- (b) Work programmes

- Consolidated work programme

40. The Chief Officer introduced the consolidated 1995 work programme (UNEP/OzL.Pro/ExCom/16/8/Rev.1).

41. The Chairman of the Sub-Committee on Project Review, presented the report of his Sub-Committee, which had considered: (a) decisions of the Fifteenth Meeting on projects "cleared for approval", and projects for intersessional approval; (b) activities submitted by Parties not operating under Article 5 of the Montreal Protocol as bilateral cooperation; and (c) work programmes of the implementing agencies.

42. The Executive Committee:

- (a) Took note that, pursuant to the procedure on clearance for approved projects pending the availability of funds recommended by the Committee at its Fifteenth Meeting (UNEP/OzL.Pro/ExCom/15/45, para. 121), the Treasurer had been

requested to release a total of US \$13,495,500 to the World Bank for the following projects that had been "cleared for approval" at the Fifteenth Meeting:

<u>Country</u>	<u>Project</u>	<u>US \$</u>
China	Conversion of small open-type CFC-12 refrigeration compressor production to HCFC-22 at Anhui Provincial Refrigerating Machinery Factory (APRMF)	2,224,000
	Conversion of small semi-hermetic CFC-12 refrigeration compressor production to HCFC-22 at Nanjing Refrigerator General Works (NRGW)	2,890,000
	Production of small ammonia refrigerating compressor at Yantai Refrigerating Machinery Works	2,874,000
	Conversion of medium-sized open-type CFC-12 refrigeration compressor production to HCFC-22 at Shanghai Refrigerating Machine Works (SRMW)	2,710,000
	Conversion of small semi-hermetic CFC-12 refrigeration compressor production to HCFC-22 at Jiangsu Taizhou Commercial Machinery Factory (JTCMF)	2,797,500

- (b) Also took note of the following project to be implemented by UNEP and the funds indicated, which had been the subject of intersessional approval:

Regional workshop on aerosol conversion for the SEAP region, in the amount of US \$120,000 and US \$15,600 as support costs to UNEP;

- (c) Further took note of the following project to be implemented by UNIDO and the funds indicated, which had been the subject of intersessional approval:

<u>Country</u>	<u>Project</u>	<u>US \$</u>
Iran (Islamic Republic of)	Conversion of domestic refrigerator production facilities to phase-out CFC-11 and CFC-12 at Arj, Azmayhesh, Bahman, Iran Poya and Pars Appliances (Phase II)	6,416,134

(including 13 per cent as support costs to UNIDO)

43. The Chairman of the Sub-Committee on Project Review said that the Sub-Committee had identified a need for further guidelines on:

- independent technical review;
- transitional substances (HCFCs) and the choice of alternative technologies;
- retroactive financing of projects; and
- technology upgrades (discussed under agenda item 9).

44. The Sub-Committee suggested that the Executive Committee should request the Secretariat and the implementing agencies to prepare discussion papers with a view to elaboration of policy guidelines at a future meeting.

45. The Sub-Committee also wished to stress the importance of close liaison with the GEF Council so as to ensure that the criteria for approval of ozone projects were as similar as possible.

46. The Chief Officer recalled that the Secretariat had been requested by the GEF to review ODS projects in Hungary and the Russian Federation to ensure consistency with Multilateral Fund policies. He had informed the Chief Executive Officer of GEF that future cooperation between the two Secretariats would require the prior approval of the Executive Committee. Correspondence and documentation had been exchanged with the GEF Secretariat, and an invitation issued to send an observer to the present meeting.

47. The Executive Committee authorized the Secretariat to continue its contacts and discussions with the GEF Secretariat.

48. The Chief Officer subsequently reported that broad agreement had been reached on the form of cooperation with the GEF. He said that arrangements and cooperation would be worked out in more detail and reported to the Seventeenth Meeting and to the GEF Council in the form of a joint information paper.

- 1995 UNDP work programme

49. The representative of UNDP introduced UNDP's work programme (UNEP/OzL.Pro/ExCom/16/9). He stated that during February 1995, UNDP had commissioned six foam projects that had phased out 410 ODP tonnes. During 1995, UNDP would start investment project activities in four countries and would initiate a major thrust in aerosols. He pointed out that the total figure of US \$71.4 million for project budget for 1995 included US \$16 million in projects deferred from the Fifteenth Meeting of the Executive Committee. Subtracting that amount made the current figure approximately the same as that of the previous year. Initially, UNDP had received requests for projects totalling about US \$120 million, but had reduced the figure by almost half in consultation with the Secretariat. The projects would result in the elimination of over 7,500 ODP tonnes.

50. In response to a query from the floor, the representative of UNDP said that it was intended to complete a review of contingency costs of completed projects in time for the Seventeenth Meeting of the Executive Committee. At the same time, a brief evaluation of the effectiveness of these projects would be prepared.

51. The Executive Committee:

- (a) Took note of UNDP's 1995 work programme;
- (b) Requested UNDP to take into account the recommendations adopted by the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review when developing the pipeline project proposals;
- (c) Agreed to UNDP's request that the balance of its project preparation funds in the Islamic Republic of Iran amounting to US \$32,065 plus 13 per cent support costs, be transferred to UNIDO.

- 1995 UNEP work programme

52. The Executive Committee considered the 1995 UNEP work programme (UNEP/OzL.Pro/ExCom/16/10).

53. One representative mentioned that the public and decision makers in several Article 5 countries needed to be sensitized on ozone layer protection, particularly to create an environment to facilitate policy changes. UNEP should identify gaps in information dissemination software and develop it. Technology source books should include policy and operational level information about developed countries as well as technology forecasts. A number of sector specific videos on safety, non-HCFC alternatives, better housekeeping etc. needed to be prepared on an urgent basis. He further mentioned that the agenda for the meeting of halon-bank managers could include methodology for developing a transparent accounting system of banked halons.

54. The Executive Committee approved the following activities in the UNEP work programme for 1995 for a total amount of US \$2,836,526, including US \$326,326 in support costs to UNEP:

1. <u>Information exchange</u>	<u>US \$</u>
- Collect sectoral data from worldwide sources	180,000
- Update the OAIC diskette version	25,000
- Prepare information papers and fact sheets for evaluation of technical options to replace ODS	100,000
- Develop sector-specific videos	90,000
- Update Technology Sourcebooks and quality review updated material	90,000

US \$

-	Disseminate information	200,000
-	Publish the <i>OzonAction</i> newsletter and special supplements	245,000
-	Provide direct query-response service	35,000
-	Conduct outreach at conferences and workshops	60,000
-	Provide halon bank management query response, information collection and dissemination	35,000
-	Disseminate existing halon-banking-awareness flyer	0
-	Convene a meeting of halon-bank managers	50,000
-	Develop a "self-help" guide for low-halon-consuming countries	25,000
2.	<u>Networking and training</u>	
-	South East Asia & the Pacific Region Network	62,000
-	Latin American Region Network	299,000
-	African Network	232,200
-	Regional workshop on methyl bromide alternatives for English-speaking Africa	100,000
-	Regional workshop on technology assessment (in refrigeration) for the LAC region	30,000
-	Translation of "Training Manual on Good Practices in Refrigeration" and "Training Manual on Chillers and Refrigerant Management" into French, Spanish and Chinese	264,000
-	Compilation of a "Recommendations for a Code of Good Practices in Refrigeration" in Article 5 countries	38,000
3.	<u>Country programmes</u>	
-	Formulation of country programmes for Croatia, Ethiopia and El Salvador	120,000
-	Completion of country programme for Bolivia	10,000
4.	<u>Advisory and expert group meetings</u>	
-	Informal Advisory Group (IAG) meeting	50,000
-	Ad hoc group meetings	70,000
5.	<u>Travel</u>	100,000
	Total	2,510,200
	Plus 13 per cent support costs to UNEP	326,326
	Grand Total	2,836,526

55. The Executive Committee:

- (a) Authorized UNEP to hold the regional workshop on non-CFC technologies for domestic refrigeration manufacturing industries in the Latin American and Caribbean region before the meeting of consultants (UNEP/OzL.Pro/ExCom/15/45, paragraph 63);
- (b) Decided not to approve the following activities in the UNEP work programme:
- | | <u>US \$</u> |
|--|--------------|
| - Update the existing five-volume series of "Protecting the Ozone Layer" sectoral technical brochure | 100,000 |
| - Disseminate stand-alone sections of the Halon Technical Options Committee report | 17,500 |
- (c) Requested UNEP to review the administrative costs of the networking activity when presenting its 1996 work programme.
- 1995 UNIDO work programme

56. The representative of UNIDO introduced UNIDO's work programme (UNEP/OzL.Pro/ExCom/16/11). The project budget for 1995 had originally been US \$106 million but had been reduced in consultation with the Fund Secretariat to US \$71,855,000. UNIDO had prepared 11 projects in low-ODS-consuming countries, and its projects as a whole would result in the phase-out of 6,941 ODP tonnes. UNIDO also indicated its implementation activities to date, and was pleased to report significant progress for the investment projects approved at the Thirteenth and Fifteenth Meetings of the Executive Committee. UNIDO was expecting to report to the next meeting ODS phase-out in Argentina for a few projects in the foam sector and, by the end of the year, completion of phase one of the domestic refrigeration project in the Islamic Republic of Iran.

57. The Executive Committee decided to allocate US \$80,000 and US \$10,400 support costs to UNIDO for the following project preparation activities:

<u>Country</u>	<u>Project</u>	<u>US \$</u>
Cote d'Ivoire	Project formulation for the ODS phase-out in the refrigeration sector	15,000
Lebanon	Project formulation for the phase-out of ODS in the aerosol sector (COSMALINE INDUSTRIES S.A.L.)	15,000
	Project formulation for the phase-out of ODS in the foam sector (ETS HENRI ABDALLAH and NASRI KARAM)	20,000

<u>Country</u>	<u>Project</u>	<u>US \$</u>
	Project formulation for the phase-out of ODS in the refrigeration sector (WEATHER-MATE and OPACO Ltd.)	15,000
Romania	Preparation of investment project for phasing-out of CFC-11 at S.C. Spumotim S.A. flexible polyurethane foam plant	15,000
Total		80,000
	Plus 13 per cent support costs to UNIDO	10,400
Grand Total		90,400

58. The Executive Committee also:

- (a) Took note of UNIDO's 1995 work programme;
- (b) Requested UNIDO to take into account the recommendations adopted by the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review, when developing the pipeline project proposals.
- 1995 World Bank work programme

59. The representative of the World Bank introduced the Bank's 1995 work programme (UNEP/OzL.Pro/ExCom/16/12) and said that the Bank was pursuing its strategy, agreed with the other implementing agencies some years before, of focusing on the higher-ODS-consuming countries. The Bank's proposal for its 1995 work programme would lead to delivery of new investment projects totalling about US \$100 million.

60. The Executive Committee requested representatives of the United Kingdom and the World Bank to meet together with the Treasurer in order to resolve a problem encountered earlier in the year in the transfer of promissory notes from the Treasurer to the Bank.

61. The representative of the World Bank drew attention to the Bank's funding request for project preparation. He said that it entailed no new projects, but covered only the finalization of projects whose preparation had already started, either in late 1994 or in early 1995. It should also be borne in mind that "project preparation" covered many more facets - indeed everything from project identification right up to the final documents just before implementation - than its actual name might imply.

62. Some representatives welcomed the clarification that no new projects were involved, and one of them said that on that condition, and the further condition that any additional project preparation spending would be consistent with any decisions of the Executive Committee

regarding project priorities, his delegation would be in favour of acceding to the World Bank's request. The representative of the World Bank said that the Bank fully accepted those conditions.

63. The Executive Committee:

- (a) Took note of the World Bank's 1995 work programme;
- (b) Agreed that an additional sum of US \$230,925 should be allocated to the World Bank for project preparation, including the finalization of processing of funded projects and commitments and the preparation of projects in the pipeline for the period January-June 1995;
- (c) Requested the World Bank to take into account the recommendations adopted by the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review, when developing the pipeline project proposals.

Agenda item 7: (a) Report of the Ad Hoc Working Group on Project Preparation and Evaluation; and
 (b) Procedural modification to assist policy communications

64. The Vice-Chairman introduced document UNEP/OzL.Pro/ExCom/16/13. He drew attention to paragraph 5 of the document, which listed actions agreed upon by the Ad Hoc Working Group on Project Preparation and Evaluation on the following matters: clarity of Executive Committee decisions; development of an agreed set of cost ranges; reports on completed projects; smoothing the pattern of work through the year; format for reporting on completed projects; consultation and coordination between the Secretariat and the implementing agencies; and dormant projects.

65. With regard to the first of those recommendations, the representative of UNDP introduced document UNEP/OzL.Pro/ExCom/16/19, on procedural modification to assist policy communications, which had been drawn up in response to a perception that the Executive Committee's decisions were not adequately reaching the people actually working in the field.

66. With regard to the second recommendation, the representative of the World Bank said that a number of templates were being drawn up for different sectors, based on standard lists of equipment used in phase-out projects and actual price ranges for that equipment. It was hoped to have a number of them completed by the end of June 1995. In response to a question from the Chairman, the representative of the World Bank clarified that it was the Bank alone that was producing the first drafts, but that these were shortly to be submitted to the other implementing agencies for joint discussion.

67. With regard to the third recommendation, the representative of the World Bank explained that it had established a working group including representatives of Article 5 countries, non-governmental organizations and the GEF to establish evaluation and monitoring criteria on which to base reports on completed projects. It was hoped that a first draft would be ready by early to mid-June 1995.

68. With regard to the issue of dormant projects, the representative of the World Bank reported that the Bank would be crediting to the Multilateral Fund, before the next Executive Committee Meeting, a certain amount relating to some projects that had been cancelled and others whose costs had proved to be lower than anticipated.

69. The representative of UNDP reported that it had one country programme pending for three years, but the delay had been due to political difficulties in the country concerned and the programme should be completed by mid-1995. Any other delayed projects had been deliberately held up pending clarification of some funding issues.

70. The representatives of UNEP and UNIDO reported that neither agency had any dormant projects.

71. The Executive Committee:

- (a) Took note of the report of the Ad Hoc Working Group on Project Preparation and Evaluation;
- (b) Endorsed the actions contained in paragraph 5 of the report of the Ad Hoc Working Group (Annex II), with the exception of the proposals relating to the procedure for intersessional approval of projects, which was in abeyance in view of the outcome of the discussion under agenda item 4(b);
- (c) Decided that the proposals in paragraphs 10-13 of document UNEP/OzL.Pro/ExCom/16/19 would be implemented from the present Meeting onwards (Annex III).

Agenda item 8: Proposal on a modified Fund management system: sequential funding

72. The Chairman of the Sub-Committee on Financial Matters recalled that at its Fifteenth Meeting the Executive Committee had held initial discussions on new or different systems of disbursement, and that a proposal had been formulated in document UNEP/OzL.Pro/ExCom/16/14. The topic had been taken up again in the joint meeting of the Sub-Committees, but the majority of the participants had felt that a system of sequential funding was not in conformity with the terms of reference of the Multilateral Fund. Nevertheless, as a potentially useful approach it should be studied further, with a view to modifying the terms of reference subsequently if appropriate.

73. The Executive Committee took note of the recommendation of the Sub-Committee on Financial Matters.

Agenda item 9: Technology upgrades

74. The representative of the World Bank introduced the discussion paper on technology upgrades (UNEP/OzL.Pro/ExCom/16/15) which had been prepared by the World Bank with input from the Fund Secretariat. In response to a statement by one representative, she clarified that, regardless whether upgrades were deliberate or inadvertent, the Executive Committee considered them to be ineligible for funding. In such cases, the upgrade must be quantified and not included in the calculation of incremental costs. She also clarified that upgrades would be assessed by comparing the post-project level of technology with the existing level in the company. In addition, she explained that the paper did not deal with the technological downgrades.

75. A number of representatives commented that the paper was useful but that certain aspects needed to be given further thought.

76. The Executive Committee:

- (a) Took note of the discussion paper;
- (b) Invited members to submit their comments in writing to the World Bank, specifically on the criteria and guidelines in relation to inadvertent technological upgrades, in sufficient time for the Bank to take them into account and return to the subject at the next meeting of the Executive Committee.

Agenda item 10: Incremental operating costs and savings in the halon portable fire extinguisher sub-sector

77. The Secretariat introduced document UNEP/OzL.Pro/ExCom/16/16, which had been prepared by the Fund Secretariat with the assistance of the World Bank in response to a request of the Executive Committee at its Fifteenth Meeting (UNEP/OzL.Pro/ExCom/15/45, para. 126).

78. The Chairman said that the key element in the paper was the concept of developing a time-frame for phase-out in the halon portable fire extinguisher sub-sector. He emphasized that the intent was not to phase out halons in the sub-sector within three years, but to have a special three-year arrangement for the development and submission of relevant projects.

79. A number of representatives expressed reservations over the content of the paper, especially about the use of one year as the basis for the calculation of incremental operational costs/savings. One of those representatives said that the paper went into areas in which the

Executive Committee had no mandate. He said that the only decision that the Committee should take was on the duration for considering operating costs/savings in the sub-sector.

80. Another representative said that he could support a six-month period on the understanding that the purpose of the recommendation was to open a window by giving countries three years to prepare projects. After that time, the window would be closed again and the Committee would revert to a duration of four years.

81. The Executive Committee agreed to give priority to the preparation of projects in the fire extinguisher sub-sector over the next few years. In this regard, implementing agencies should, over the next three years, develop and submit projects to phase out the entire halon fire extinguisher sub-sector in Article 5 countries. During this time frame, the Executive Committee would consider projects in this sub-sector taking into consideration six months of operating cost/savings. Following this time frame, the calculation of incremental cost/savings would be expected to revert to the four-year level that had been the tradition for this sub-sector.

82. The Executive Committee also agreed to the following special arrangements:

- (a) To avoid unintentional market distortions, projects should be submitted to phase out the country's entire fire extinguisher sub-sector and the funding distributed among all manufacturers in the sub-sector. However, for countries with more than five halon extinguisher enterprises, the projects could be submitted in groups of enterprises that were likely to be competitive for the same market within the country;
- (b) To ensure that the project objectives were fulfilled, the government should clearly indicate that the use of halon 1211 in the sub-sector covered by the project approved by the Committee should be prohibited through import bans or commitments to reduced halon production, or both;
- (c) Agreements should be reached with upstream substitute producers whose conversion was supported by the Fund to determine the appropriate input prices for substitutes used by downstream manufacturers to avoid double-counting;
- (d) To standardize project proposals and facilitate an expeditious review, baseline and with-project capital and operating costs should be presented in project proposals;
- (e) The World Bank should be asked to prepare a study on how to set up a concessional loans mechanism; i.e., what options were available given current implementing agencies and their procedures, what steps would be required to put the mechanism in place, and to what extent could the Bank use its resources or the resources from other sources for phase-out in Article 5 countries.

Agenda item 11: Methodology for calculation of operational costs in methylene chloride projects

83. The Secretariat introduced document UNEP/OzL.Pro/ExCom/16/17, prepared by UNDP and the Secretariat. In response to a statement from the floor, the Secretariat clarified that training, health and safety were already included in the capital costs.

84. Two representatives and an observer expressed reservations regarding the use of methylene chloride because of the potential risks it posed to human health. The observer urged that Multilateral Fund money not be used on methylene chloride. The representative of UNDP said that high safety standards were applied for all UNDP-implemented projects involving methylene chloride.

85. The Executive Committee:

- (a) Took note of the report submitted by the Secretariat;
- (b) Endorsed the recommendations contained therein (Annex IV).

Agenda Item 12: Methodology for treatment of test equipment requirements in the domestic refrigeration sector

86. The Chief Officer noted that at its Fifteenth Meeting (UNEP/OzL.Pro/ExCom/15/45, para. 127) the Executive Committee had requested the Secretariat to work with sector experts and implementing agencies to establish a methodology for treatment of test equipment requirements in the domestic refrigeration sector. The Secretariat had developed the framework of the policy paper and had requested UNIDO to develop the substance. The paper had been prepared by UNIDO and submitted to the Secretariat. However, it had not addressed all of the issues and had been returned to UNIDO for further work. It was still being revised and therefore could not be made available to this meeting. UNIDO should be asked to finalize the paper and present it to the meeting, to be held in Paris in July, of experts and consultants working for the Multilateral Fund to consider the question of standardization of project costs. It should be available for consideration by the Seventeenth Meeting of the Executive Committee.

87. The representative of UNIDO reported that the final version of the paper had been sent to the Fund Secretariat and the other implementing agencies. UNEP's comments had been reflected in that final version, and comments were expected from UNDP and the World Bank within the next week or two.

88. The Executive Committee took note of the explanation by the Chief Officer and the representative of UNIDO.

Agenda item 13: Other matters

Request by the Government of Venezuela

89. The representative of Colombia presented a request from the Government of Venezuela that the Executive Committee should ask Governments of non-Article 5 countries to consider granting tax incentives to companies from those countries which were investing in ODS phase-out projects in Article 5 countries.

90. The Executive Committee decided that such a matter fell outside its terms of reference.

91. The representative of Colombia said that, while he did not agree that the matter was outside the terms of reference, he would forward the report to the Governments concerned through other channels.

Position of countries with economies in transition

92. The representative of Poland drew attention to paragraph 195 of the report of the Thirteenth Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/13/47), regarding a presentation concerning countries with economies in transition, and asked why no action had been taken by the Secretariat.

93. The Chief Officer clarified that the Committee had in that paragraph requested the Secretariat only to take note of the presentation - which it had done - but not to take any further action.

Definition of small and medium-size ODS-consuming industries

94. One representative asked what progress the Secretariat had made in formulating a definition of small- and medium-size ODS-consuming industries. The Chief Officer replied that no further progress could be made until further data were received from UNDP and UNIDO.

95. The representative of UNDP stated that 10,000 small- and medium-scale companies in India had already been surveyed and that a report on the topic would be prepared for the Seventeenth Meeting of the Executive Committee.

Proposal of UNIDO

96. The representative of UNIDO proposed that a small working group be set up to discuss technical studies prepared by the Secretariat before they were formally discussed.

IV. ADOPTION OF THE REPORT

97. The Executive Committee adopted the present report, on the basis of the draft report contained in document UNEP/OzL.Pro/ExCom/16/L.1, at its closing session, on 17 March 1995.

V. DATE AND PLACE OF THE SEVENTEENTH MEETING OF THE EXECUTIVE MEETING

98. The Chairman announced that the Seventeenth Meeting of the Executive Committee would be held at Montreal from 26 to 28 July 1995 with a meeting of the Sub-Committee on Project Review being held on 24 and 25 July.

VI. CLOSURE OF THE MEETING

99. The Executive Committee expressed its appreciation of the very hard work of all members of the Secretariat of the Multilateral Fund and the tireless efforts of the Chief Officer in putting together the documentation for this meeting and in facilitating the very smooth running of the meeting.

100. Following the customary exchanges of courtesies, the Chairman declared the Sixteenth Meeting of the Executive Committee closed.

ANNEX I**MULTILATERAL FUND FOR THE IMPLEMENTATION
OF THE MONTREAL PROTOCOL****Status of the Fund as at 15 March 1995**

	US dollars
INCOME	
Contributions received	
- Cash Payments	276,077,851
- Promissory Notes	41,892,546
Bilateral Contributions	8,018,712
Interest earned 6,155,054	
Miscellaneous income	2,093,506
TOTAL	334,237,669
DISBURSEMENTS	
UNDP	90,504,065
UNEP	13,322,942
UNIDO	47,633,055
World Bank	159,261,549
Cash disbursement	109,550,445
Pending Disbursements	43,227,186
Earmarked for Indian pilot phase projects	4,000,000
Interest income utilized	2,483,918
Bilateral Assistance	8,018,712
Secretariat (1991X1995)	11,113,840
Programme support (1991X1995)	509,176
Cash advance to Ozone Secretariat	450,000
TOTAL	330,813,339
BALANCE AVAILABLE	3,424,330

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION
OF THE MONTREAL PROTOCOL**

**1991 - 1995 CONTRIBUTIONS SUMMARY STATUS
AS AT 15 MARCH 1995**

DESCRIPTION	1991	1992	1993	1994	1995	TOTAL
PLEGGED CONTRIBUTIONS	53,308,224	73,322,709	112,897,375	148,805,380	148,788,465	537,122,153
CASH PAYMENTS	45,321,555	57,884,915	85,370,073	79,035,482	8,465,826	276,077,851
BILATERAL ASSISTANCE	480,000	1,726,772	2,282,736	4,866,122	0	9,355,630
PROMISSORY NOTES	0	3,283,914	7,994,173	30,612,181	2,278	41,892,546
TOTAL PAYMENT	45,801,555	62,895,601	95,646,982	114,513,785	8,468,104	327,326,027
OUTSTANDING PLEDGES	7,506,669	10,427,108	17,250,393	34,291,595	140,320,361	209,796,126

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
1991 - 1995 CONTRIBUTIONS SUMMARY STATUS
AS AT 15 MARCH 1995**

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	9,592,234	6,847,733	102,571	0	2,641,930
AUSTRIA	4,705,733	3,077,462	0	0	1,628,271
BELARUS	2,800,167	0	0	0	2,800,167
BELGIUM	6,833,600	3,135,548	0	0	3,698,052
BULGARIA	753,523	222,032	0	0	531,491
CANADA	19,544,723	7,861,444	1,267,903	0	10,415,376
CYPRUS	96,421	61,534	0	0	34,887
CZECH REPUBLIC	2,755,904	1,704,877	0	0	1,051,027
DENMARK	4,149,981	3,016,144	0	0	1,133,837
FINLAND	3,499,179	2,504,891	0	0	994,288
FRANCE	38,131,908	5,921,449	254,774	21,491,777	10,463,908
GERMANY	56,838,293	28,261,763	1,355,296	11,644,060	15,577,174
GREECE	2,276,526	2,298,143	0	0	(21,617)
HUNGARY	1,177,097	0	0	0	1,177,097
ICELAND	188,818	149,483	0	0	39,335
IRELAND	1,132,912	818,926	0	0	313,986
ISRAEL	1,108,851	707,647	0	0	401,204
ITALY	26,559,184	7,620,945	0	0	18,938,239
JAPAN	76,783,706	55,066,370	0	0	21,717,336
KUWAIT	1,158,731	0	0	0	1,158,731
LIECHTENSTEIN	62,940	45,496	0	0	17,444
LUXEMBOURG	377,638	272,976	0	0	104,662
MALTA	28,052	28,052	0	0	0
MONACO	42,371	42,371	0	0	0
NETHERLANDS	9,661,853	7,045,306	0	0	2,616,547
NEW ZEALAND	1,510,546	1,091,899	0	0	418,647
NORWAY	3,461,671	2,502,256	0	0	959,415
PANAMA	16,915	16,915	0	0	0
POLAND	2,739,230	473,318	0	0	2,265,912
PORTUGAL	1,229,333	0	0	0	1,229,333
RUSSIAN FEDERATION	47,063,372	0	0	0	47,063,372
SINGAPORE	740,545	425,921	71,976	0	242,648
SLOVAKIA	453,534	0	0	0	453,534
SOUTH AFRICA	2,639,433	1,670,055	30,000	0	939,378
SPAIN	12,417,832	8,963,991	0	0	3,453,841
SWEDEN	7,133,568	4,810,075	0	0	2,323,493
SWITZERLAND	7,008,715	5,072,471	0	0	1,936,244
UKRAINE	10,856,512	785,600	0	0	10,070,912
UNITED ARAB EMIRATES	1,292,273	279,843	0	0	1,012,430
UNITED KINGDOM	31,339,966	13,826,548	0	8,756,709	8,756,709
UNITED STATES OF AMERICA	135,834,903	99,448,367	6,273,110	0	30,113,426
UZBEKISTAN	1,123,460	0	0	0	1,123,460
TOTAL	537,122,153	276,077,851	9,355,630	41,892,546	209,796,126

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1995
AS AT 15 MARCH 1995**

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	2,633,990	0	0	0	2,633,990
AUSTRIA	1,308,273	0	0	0	1,308,273
BELARUS	837,295	0	0	0	837,295
BELGIUM	1,849,026	0	0	0	1,849,026
BULGARIA	226,767	0	0	0	226,767
CANADA	5,424,973	0	0	0	5,424,973
CYPRUS	34,887	0	0	0	34,887
CZECH REPUBLIC	732,633	0	0	0	732,633
DENMARK	1,133,837	0	0	0	1,133,837
FINLAND	994,288	0	0	0	994,288
FRANCE	10,466,186	0	0	2,278	10,463,908
GERMANY	15,577,174	0	0	0	15,577,174
GREECE	610,528	632,145	0	0	(21,617)
HUNGARY	313,986	0	0	0	313,986
ICELAND	52,331	12,996	0	0	39,335
IRELAND	313,986	0	0	0	313,986
ISRAEL	401,204	0	0	0	401,204
ITALY	7,483,323	0	0	0	7,483,323
JAPAN	21,717,336	0	0	0	21,717,336
KUWAIT	436,091	0	0	0	436,091
LIECHTENSTEIN	17,444	0	0	0	17,444
LUXEMBOURG	104,662	0	0	0	104,662
MALTA	0	0	0	0	0
MONACO	17,444	17,444	0	0	0
NETHERLANDS	2,616,547	0	0	0	2,616,547
NEW ZEALAND	418,647	0	0	0	418,647
NORWAY	959,400	0	0	0	959,400
PANAMA	0	0	0	0	0
POLAND	819,851	0	0	0	819,851
PORTUGAL	348,873	0	0	0	348,873
RUSSIAN FEDERATION	11,704,685	0	0	0	11,704,685
SINGAPORE	209,324	0	0	0	209,324
SLOVAKIA	226,767	0	0	0	226,767
SOUTH AFRICA	715,189	0	0	0	715,189
SPAIN	3,453,841	0	0	0	3,453,841
SWEDEN	1,936,244	0	0	0	1,936,244
SWITZERLAND	1,936,244	0	0	0	1,936,244
UKRAINE	3,261,961	0	0	0	3,261,961
UNITED ARAB EMIRATES	366,317	0	0	0	366,317
UNITED KINGDOM	8,756,709	0	0	0	8,756,709
UNITED STATES OF AMERICA	37,916,667	7,803,241	0	0	30,113,426
UZBEKISTAN	453,535	0	0	0	453,535
TOTAL	148,788,465	8,465,826	0	2,278	140,320,361

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1994
AS AT 15 MARCH 1995**

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	2,633,990	2,567,190	58,860	0	7,940
AUSTRIA	1,308,273	988,275	0	0	319,998
BELARUS	837,295	0	0	0	837,295
BELGIUM	1,849,026	0	0	0	1,849,026
BULGARIA	226,767	0	0	0	226,767
CANADA	5,424,973	0	434,570	0	4,990,403
CYPRUS	34,887	34,887	0	0	0
CZECH REPUBLIC	732,633	732,633	0	0	0
DENMARK	1,133,837	1,133,837	0	0	0
FINLAND	994,288	994,288	0	0	0
FRANCE	10,466,186	0	254,774	10,211,412	0
GERMANY	15,577,174	2,596,196	1,336,918	11,644,060	0
GREECE	610,528	610,528	0	0	0
HUNGARY	313,986	0	0	0	313,986
ICELAND	52,331	52,331	0	0	0
IRELAND	313,986	313,986	0	0	0
ISRAEL	401,204	401,204	0	0	0
ITALY	7,483,323	0	0	0	7,483,323
JAPAN	21,717,336	21,717,336	0	0	0
KUWAIT	436,091	0	0	0	436,091
LIECHTENSTEIN	17,444	17,444	0	0	0
LUXEMBOURG	104,662	104,662	0	0	0
MALTA	0	0	0	0	0
MONACO	17,444	17,444	0	0	0
NETHERLANDS	2,616,547	2,616,547	0	0	0
NEW ZEALAND	418,647	418,647	0	0	0
NORWAY	959,400	959,385	0	0	15
PANAMA	16,915	16,915	0	0	0
POLAND	819,851	0	0	0	819,851
PORTUGAL	348,873	0	0	0	348,873
RUSSIAN FEDERATION	11,704,685	0	0	0	11,704,685
SINGAPORE	209,324	136,000	40,000	0	33,324
SLOVAKIA	226,767	0	0	0	226,767
SOUTH AFRICA	715,189	461,000	30,000	0	224,189
SPAIN	3,453,841	3,453,841	0	0	0
SWEDEN	1,936,244	1,548,995	0	0	387,249
SWITZERLAND	1,936,244	1,936,244	0	0	0
UKRAINE	3,261,961	0	0	0	3,261,961
UNITED ARAB EMIRATES	366,317	0	0	0	366,317
UNITED KINGDOM	8,756,709	0	0	8,756,709	0
UNITED STATES OF AMERICA	37,916,667	35,205,667	2,711,000	0	0
UZBEKISTAN	453,535	0	0	0	453,535
TOTAL	148,805,380	79,035,482	4,866,122	30,612,181	34,291,595

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1993
AS AT 15 MARCH 1995**

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	2,011,867	2,007,550	4,317	0	0
AUSTRIA	999,272	999,272	0	0	0
BELARUS	639,534	0	0	0	639,534
BELGIUM	1,412,304	1,412,304	0	0	0
BULGARIA	173,207	95,250	0	0	77,957
CANADA	4,143,646	3,310,313	833,333	0	0
CYPRUS	26,647	26,647	0	0	0
CZECH REPUBLIC	732,799	732,799	0	0	0
DENMARK	866,035	866,035	0	0	0
FINLAND	759,446	759,446	0	0	0
FRANCE	7,994,173	0	0	7,994,173	0
GERMANY	11,897,994	11,897,994	0	0	0
GREECE	466,327	466,327	0	0	0
HUNGARY	239,825	0	0	0	239,825
ICELAND	39,971	39,971	0	0	0
IRELAND	239,825	239,825	0	0	0
ISRAEL	306,443	306,443	0	0	0
ITALY	5,715,834	1,744,241	0	0	3,971,593
JAPAN	16,587,909	16,587,909	0	0	0
KUWAIT	286,549	0	0	0	286,549
LIECHTENSTEIN	13,324	13,324	0	0	0
LUXEMBOURG	79,942	79,942	0	0	0
MALTA	13,324	13,324	0	0	0
MONACO	7,483	7,483	0	0	0
NETHERLANDS	1,998,543	1,998,543	0	0	0
NEW ZEALAND	319,767	319,767	0	0	0
NORWAY	732,799	732,799	0	0	0
PANAMA	0	0	0	0	0
POLAND	626,210	0	0	0	626,210
PORTUGAL	266,472	0	0	0	266,472
RUSSIAN FEDERATION	8,940,150	0	0	0	8,940,150
SINGAPORE	159,883	127,907	31,976	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	546,268	546,268	0	0	0
SPAIN	2,638,077	2,638,077	0	0	0
SWEDEN	1,478,922	1,478,922	0	0	0
SWITZERLAND	1,545,540	1,545,540	0	0	0
UKRAINE	2,491,517	785,600	0	0	1,705,917
UNITED ARAB EMIRATES	279,796	0	0	0	279,796
UNITED KINGDOM	6,668,458	6,668,458	0	0	0
UNITED STATES OF AMERICA	28,334,903	26,921,793	1,413,110	0	0
UZBEKISTAN	216,390	0	0	0	216,390
TOTAL	112,897,375	85,370,073	2,282,736	7,994,173	17,250,393

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1992
AS AT 15 MARCH 1995**

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	1,326,980	1,287,586	39,394	0	0
AUSTRIA	625,456	625,456	0	0	0
BELARUS	278,919	0	0	0	278,919
BELGIUM	988,896	988,896	0	0	0
BULGARIA	126,782	126,782	0	0	0
CANADA	2,611,699	2,611,699	0	0	0
CYPRUS	0	0	0	0	0
CZECH REPUBLIC	557,839	239,445	0	0	318,394
DENMARK	583,195	583,195	0	0	0
FINLAND	431,057	431,057	0	0	0
FRANCE	5,282,564	1,998,650	0	3,283,914	0
GERMANY	7,911,167	7,892,789	18,378	0	0
GREECE	338,084	338,084	0	0	0
HUNGARY	177,494	0	0	0	177,494
ICELAND	25,356	25,356	0	0	0
IRELAND	152,138	152,138	0	0	0
ISRAEL	0	0	0	0	0
ITALY	3,372,389	3,372,389	0	0	0
JAPAN	9,618,492	9,618,492	0	0	0
KUWAIT	0	0	0	0	0
LIECHTENSTEIN	8,452	8,452	0	0	0
LUXEMBOURG	50,713	50,713	0	0	0
MALTA	8,452	8,452	0	0	0
MONACO	0	0	0	0	0
NETHERLANDS	1,394,597	1,394,597	0	0	0
NEW ZEALAND	202,850	202,850	0	0	0
NORWAY	464,866	464,866	0	0	0
PANAMA	0	0	0	0	0
POLAND	473,318	473,318	0	0	0
PORTUGAL	152,138	0	0	0	152,138
RUSSIAN FEDERATION	8,443,650	0	0	0	8,443,650
SINGAPORE	92,973	92,973	0	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	380,345	380,345	0	0	0
SPAIN	1,648,160	1,648,160	0	0	0
SWEDEN	1,022,704	1,022,704	0	0	0
SWITZERLAND	912,827	912,827	0	0	0
UKRAINE	1,056,513	0	0	0	1,056,513
UNITED ARAB EMIRATES	160,590	160,590	0	0	0
UNITED KINGDOM	4,107,721	4,107,721	0	0	0
UNITED STATES OF AMERICA	18,333,333	16,664,333	1,669,000	0	0
UZBEKISTAN	0	0	0	0	0
TOTAL	73,322,709	57,884,915	1,726,772	3,283,914	10,427,108

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1991
AS AT 15 MARCH 1995**

	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	985,407	985,407	0	0	0
AUSTRIA	464,459	464,459	0	0	0
BELARUS	207,124	0	0	0	207,124
BELGIUM	734,348	734,348	0	0	0
BULGARIA	0	0	0	0	0
CANADA	1,939,432	1,939,432	0	0	0
CYPRUS	0	0	0	0	0
CZECH REPUBLIC	0	0	0	0	0
DENMARK	433,077	433,077	0	0	0
FINLAND	320,100	320,100	0	0	0
FRANCE	3,922,799	3,922,799	0	0	0
GERMANY	5,874,784	5,874,784	0	0	0
GREECE	251,059	251,059	0	0	0
HUNGARY	131,806	0	0	0	131,806
ICELAND	18,829	18,829	0	0	0
IRELAND	112,977	112,977	0	0	0
ISRAEL	0	0	0	0	0
ITALY	2,504,315	2,504,315	0	0	0
JAPAN	7,142,633	7,142,633	0	0	0
KUWAIT	0	0	0	0	0
LIECHTENSTEIN	6,276	6,276	0	0	0
LUXEMBOURG	37,659	37,659	0	0	0
MALTA	6,276	6,276	0	0	0
MONACO	0	0	0	0	0
NETHERLANDS	1,035,619	1,035,619	0	0	0
NEW ZEALAND	150,635	150,635	0	0	0
NORWAY	345,206	345,206	0	0	0
PANAMA	0	0	0	0	0
POLAND	0	0	0	0	0
PORTUGAL	112,977	0	0	0	112,977
RUSSIAN FEDERATION	6,270,202	0	0	0	6,270,202
SINGAPORE	69,041	69,041	0	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	282,442	282,442	0	0	0
SPAIN	1,223,913	1,223,913	0	0	0
SWEDEN	759,454	759,454	0	0	0
SWITZERLAND	677,860	677,860	0	0	0
UKRAINE	784,560	0	0	0	784,560
UNITED ARAB EMIRATES	119,253	119,253	0	0	0
UNITED KINGDOM	3,050,369	3,050,369	0	0	0
UNITED STATES OF AMERICA	13,333,333	12,853,333	480,000	0	0
UZBEKISTAN	0	0	0	0	0
TOTAL	53,308,224	45,321,555	480,000	0	7,506,669

ANNEX II

Actions on Project Preparation and Evaluation

Clarity of Committee decisions - the Implementing Agencies will develop for the Executive Committee's consideration a paper giving examples of where clarification of decisions and their implications would have been useful, and the format that could have been used in that case. The paper would take into account that the intent would be to inform better those affected by such decisions, namely the Executive Committee members, the Implementing Agencies, Parties to the Montreal Protocol and enterprises in Parties operating under Article 5;

Development of an agreed set of cost ranges - the Implementing Agencies and the Secretariat will work together to prepare a document for the Executive Committee's endorsement. The work commenced in the Bank on documenting real costs, collected from approved projects, will be extended to include input from the Secretariat and the other Agencies. The resultant draft document would be reviewed jointly before it was submitted to the Executive Committee;

Reporting on completed projects - the meeting acknowledged that the review process had been hampered in the past by a lack of factual information. Now, however, there were real projects coming to conclusion and offering real historical data. It was recommended that the Executive Committee formally request Agencies to make available such real data, so that it could be used by other Agencies and by the Secretariat in reviewing other projects in the future;

Smoothing the pattern of work through the year - it was noted that projects could be sent to the Secretariat as soon as they were ready, enabling the process to start earlier. Lengthening the six-week deadline, perhaps to eight or nine weeks, was not considered feasible given the present average frequency of one Executive Committee meeting every sixteen weeks. The meeting felt that use should be made of intersessional approvals. It was recognised that this facility was applicable only to projects which were uncontroversial and that the modalities for intersessional approval had not been decided (the Secretariat will seek input from the Implementing Agencies on its draft proposal). It was recognised also that any intersessional approvals would need to take place within the framework of priority-setting which was the Executive Committee's responsibility and would be addressed at its Sixteenth Meeting. The desirability of the Executive Committee's resolving the issue of resource allocation (ie, by country, sector, Implementing Agency) was highlighted;

Format for reporting on completed projects - the Implementing Agencies will develop a draft format for consideration by the Executive Committee;

Consultation and coordination between the Secretariat and Implementing Agencies - it was accepted that it could be useful to have consultations in the calmer weeks immediately following a meeting. In particular, the results of the project approval process should be examined and noted for relevance to future projects;

Dormant projects - the Implementing Agencies will examine their portfolios and report to the Executive Committee on any projects that have been dormant for a long period.

ANNEX III

Procedural modification to assist Policy Communications

- At the end of a sub-committee summary, include a short section aimed at identifying policy issues which surfaced, and the operational implications if there is a need for elaboration. It is felt that generally, the identified policy issue and decision will normally be clear. In most cases, however, the communications process could still be facilitated by an explanation or a statement describing the operational implications.
- Once a policy issue from the subcommittee has been addressed and approved by the Executive Committee, then the operational implications (if any) identified in the subcommittee report should also be reflected in the final report. After the meeting, as an ongoing activity, when a need or an issue arises relating to the new policy, and an agency needs clarification, then the agency should work with the Secretariat to clarify.
- After each meeting, the Policies, Procedures, Guidelines & Criteria of the Multilateral Fund would be updated and provided to the agencies, which would then transmit this to the field offices and project managers in the field. When the Guidelines are updated, an addendum should be placed at the front of the Guidelines document which simply highlights the recently adopted changes. If the existing "paper deployment system" were to be retained, then an issuance of a complete document should be considered after each meeting of the Parties, with only updates issued after each ExCom meeting. This would save paper and mailing expense. A less costly and more rapid deployment could be accomplished, however, by providing the complete guidelines to the Agencies on computer disk. The Agencies can deploy in correct format through their E-mail systems to the field offices. UNDP has volunteered the use of their field offices, who could print and then copy the guideline book for the respective local Government Agency. Inclusion in OZONACTION Information Clearinghouse would also assure improved coverage of the communications. UNEP's Regional Networks may be another forum for discussion and clarification.
- The agencies and Secretariat should work together to develop a process that allows the key agreements reached verbally to be documented and shared more widely.

ANNEX IV

METHODOLOGY FOR CALCULATION OF INCREMENTAL OPERATIONAL COSTS IN METHYLENE CHLORIDE PROJECTS

Factors to be Considered in Calculating the Incremental Operational Costs (IOC)

(a) Relative prices of methylene chloride and CFC-11

The prices should be determined locally using the ratio MC/CFC-11 of 0.9/1.0. All pricing should also be guided by Executive Committee decision regarding pricing of commodities, namely that national pricing be used except where it was higher than 20% of the regional border price (UNEP/OzL.Pro/ExCom/12/37, para. 62). For 1995 the prices of urethane grade and non-urethane grade MC may not exceed US \$1.00 and US \$0.80 respectively. Where available, the price of urethane grade MC should be used.

(b) Catalysts

Amine: A 10% increase in amine catalyst corresponds to 10 pphp¹ MC. The need for additional or different catalyst should be justified. (Current price of catalyst is US \$7.50/kg).

Tin: A 25% increase in tin octoate, corresponding to 10 pphp MC should be allowed (Current price is US \$6-8/kg)

(c) Polyol

If the need for a better or different stabilized polyol as well as its local availability are established price increase of up to US \$0.10/kg should be allowed.

(d) Toluene diisocyanate (TDI)

When forced cooling or softening technologies are used both the increased use of TDI and decreased use of MC should be taken into account in the IOC calculation. Replacement of ten parts of MC by 10 parts of TDI and one part of water should be considered.

¹ pphp: parts per hundred parts of polyol, the standard expression in foam formulations. If pphp are assumed kg's then a standard formulation would amount to about 150 kg, after accounting for gas losses. Such conversion has been used in the calculation of the IOC effect of the use of a softener.

(e) Softener

The cost of softener may be taken into account only when detailed formulations are developed. The calculation should also take account of adjustments in MC use.

(f) Yield loss

Initial incremental yield loss of 3% declining by 1% each year should be allowed.

(g) Incremental energy costs

Incremental energy costs will be eligible only in the event that the substitute technology results in increased energy consumption. However, if this increase results in expansion in production capacity of the foam (whether intentional or inadvertent) it should not be considered in the calculation of IOC. Calculation of incremental energy cost should be based on KW multiplied by run hours per year and local unit price.

(h) Incremental maintenance costs

Maintenance costs should be based on additional eligible equipment installed. The incremental maintenance costs should be calculated based on 5% of the eligible incremental equipment investment costs.

Factors not to be Considered in Calculating the Incremental Operational Costs

(a) Cost of Water

Cost of water is usually minimal. Generally, de-ionized water is used in foam formulations. This is particularly critical if MC is used, since iron content could trigger scorching. Therefore where not already installed, a water softener or de-ionizer would usually be included in the investment costs.

(b) Equipment type

Does not have any incremental effect on operational costs.

(c) Equipment Condition

This should be the liability of the enterprise concerned.

(d) Proficiency (Expertise)

Since differences in proficiency or expertise at the plant level is usually taken into account when assessing technology transfer and/or training costs, proficiency or expertise should not be considered in IOC calculation.

(e) Recurrent training

Only staff time is involved and cannot be considered as incremental.

(f) Safety

MC does not cause any safety concerns beyond those that have been dealt with under investment and chemical use. Hence, health and safety issues other than those considered already should not be taken into account, e.g. incremental operational cost of occupational health or safety monitoring programmes, etc.

SAMPLE INCREMENTAL OPERATIONAL COST CALCULATION

ASSUMPTIONS

Item	Price (US \$/t)	Consumption (t/y)		Information Source
		Before	After	
CFC-11	2,000	18	-	Navin Fluorine
MC	800	-	16.2	U-Foam
Amines	7,500	3	3.1	Standard
Tin	8,000	4	4.25	Standard
Energy (/KWh)	0.10		45,000	Power Cy.
Production	2,000	900	900	Recipient

Investment in equipment	:	US \$150,000
CFC/MC Ratio	:	1.00/0.90
Yield loss	:	3/2/1/0%/y on 25% of production (Only 25% of the production uses MC)
Maintenance	:	5% of equipment investment

CALCULATION

Cost Item	1995 US \$ X 1,000	1996 US \$ X 1,000	1997 US \$ X 1,000	1998 US \$ X 1,000	Total
BASELINE					
CFC-11	36	36	36	36	
Amines	22.5	22.5	22.5	22.5	
Tin	32	32	32	32	
Total	90.5	90.5	90.5	90.5	
POST-PROJECT					
MC	13	13	13	13	
Amines	23.3	23.3	23.3	23.3	
Tin	34	34	34	34	
Incr. Yield Loss	13.5	9	4.5	0	
Incr. Energy	4.5	4.5	4.5	4.5	
Incr. Maintenance	7.5	7.5	7.5	7.5	
Total	95.8	91.3	86.8	82.3	
IOC	5.3	0.8	(3.7)	(7.2)	
Discount Factor	0.91	0.83	0.75	0.68	
NPV	4.8	0.7	(2.8)	(4.9)	(2.2)

Costs determined as follows:

1. Baseline Costs

Baseline costs of chemicals calculated by multiplying the price of the chemical by annual use. No sales increases allowed.

2. Post Project Costs

- (a) MC: 90% of CFC-11 use multiplied by MC price. No sales increases included.
- (b) Amine: Increase by 10% on MC foam alone.
- (c) Tin: Increase by 25% on MC foam alone.
- (d) Yield loss: Calculated on MC foam alone.

3. Incremental Operational Cost (IOC)

- (a) IOC: Difference between baseline cost and post project cost.
- (b) Discount factor: Based on 10% interest rate.
- (c) Net Present Value (NPV): IOC X Discount factor.