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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-ninth Meeting
Beijing, 24-26 November 1999

**DRAFT REPORT OF THE EXECUTIVE COMMITTEE
TO THE ELEVENTH MEETING OF THE PARTIES**

Introduction

1. The terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro.9/12, annex V) require the Executive Committee to report annually to the Meeting of the Parties. The present report, which covers the activities undertaken by the Executive Committee since the Tenth Meeting of the Parties, is submitted in fulfillment of that requirement. The report includes an annex (Annex I), prepared in response to decision X/31, updating information on actions taken by the Executive Committee to improve the financial mechanism.
2. During the reporting period, the Twenty-seventh and Twenty-eighth meetings of the Executive Committee were held in Montreal from 24 to 26 March 1999 and 14 to 16 July 1999, respectively.
3. According to decision X/4 of the Tenth Meeting of the Parties, the meetings of the Executive Committee were attended by Belgium, Canada, Italy, Japan, Slovakia, Sweden, and the United States of America (Chairman), representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Algeria, Bahamas, Brazil, Burkina Faso, China, India (Vice-Chairman) and Uganda, representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. P. Horwitz (United States of America), and Mr. V. Vaish (India) acted as Vice-Chairman.
4. Mr. Omar E. El-Arini, Chief Officer, acted as Secretary for the meetings.

A. Procedural matters

Sub-Committee on Project Review

5. In the reporting period, the Sub-Committee on Project Review, composed of the representatives of Brazil, Burkina Faso, India, Italy, Japan (Chairman), and the United States of America, met back to back with the meetings of the Executive Committee.

Sub-Committee on Monitoring, Evaluation and Finance

6. The Sub-Committee on Monitoring, Evaluation and Finance, composed of the representatives of Bahamas, Belgium (Chairman), Canada, China, Sweden and Uganda met back to back with the meetings of the Executive Committee.

Subgroup on the Production Sector

7. The Subgroup on the Production Sector, composed of the representatives of Brazil, Canada, China, India, Italy and the United States, held several meetings in 1999, proposed an agreement with China which was adopted by the Executive Committee for the closure of the CFC production sector in China. The Subgroup also concluded a draft agreement with India which will be considered by the Executive Committee at its Twenty-ninth Meeting.

B. Financial matters

Status of contributions and disbursements

8. As at [20 October 1999], the total income to the Multilateral Fund, including interest and miscellaneous income, amounted to US \$[982,949,991]. The disbursements against this income totalled US \$[979,623,081]. The balance available amounted to US \$[3,326,910]. The yearly distribution of contributions against pledges is as follows:

Year	Pledges US \$	Contributions US \$	Arrears/outstanding contributions US \$
1991	53,308,224	46,830,898	6,447,326
1992	72,797,293	63,544,667	9,252,626
1993	108,923,724	99,983,574	8,940,150
1994	142,630,330	130,925,645	11,704,685
1995	142,404,091	130,699,406	11,704,685
1996	147,905,193	126,373,296	13,433,630
1997	157,144,159	130,432,891	26,711,268
1998	157,545,040	129,552,340	27,992,700
TOTAL (1991-1998)	982,658,054	858,342,717	124,315,337
1999 (to date)	157,897,921	48,734,696	109,163,225

Contributions in arrears

9. As at [20 October 1999], arrears for 1991-1998 stood at US \$[124,315,337]. Outstanding contributions for 1999 amounted to US \$[109,163,225].

Bilateral contributions

10. During the period under review, the Executive Committee approved requests to credit bilateral assistance amounting to a total of US \$[6,405,357]. This brings the total for bilateral cooperation to US \$[31,582,469], which represents approximately 3.2 per cent of funds approved. The range of bilateral projects approved included demonstration projects, training workshops, project preparation, investment projects and technical assistance on alternative technologies.

C. Resource Management

1999 business plans of the Multilateral Fund

11. The Executive Committee planned its business in 1999 on a budget level of \$169.4 million which would finance phase out investment projects in various sectors, including methyl bromide, and non-investment activities.

12. The Executive Committee approved at its Twenty-seventh meeting the 1999 business plans of implementing agencies, and noted those for bilateral co-operation and adopted the target of phasing out 33,301 ODP tonnes of consumption by the end of 1999. It further adopted a target of 70 per cent for disbursement by the implementing agencies for projects approved and funded up to the end of 1998.

13. The Executive Committee also planned to approve new investment projects in 1999 which would phase out another 27,775 ODP tons of ozone depleting substances when these projects were implemented in future years.

D. Fund achievement

Total ODS phase-out

14. Up to the end of 1998, the implementation of projects supported by the Multilateral Fund had resulted in the phase-out of [86,180] ODP tonnes of ODS, including the phase out in the production and consumption of halons from the implementation of the China halon sector phase out strategy. The sectoral distribution of this achievement is shown as follows:

Sectors	ODP tonnes phased out
Aerosol	20,624
Foam	16,876
Halon (production and consumption)	30,886
Multi-sector	36
Other	54
Refrigeration	16,686
Solvent	1,018
Total	86,180

Approvals in 1999

15. During the period under review, the Executive Committee approved [363] projects and activities, with a planned phase-out of [14,274] tonnes of controlled substances, and allocated US \$[101,153,710] for their implementation, including US \$10,900,000 for the second tranche in 1999 of the China CFC production sector agreement.

Regional distribution of projects

16. Since 1991, [1,258] activities have been approved in Asia and the Pacific, followed by Latin America and the Caribbean ([754] activities), Africa ([513] activities), and Europe ([121] activities). Additionally, [178] global activities have been approved since the inception of the Fund.

Investment projects

17. During the period under review, the Executive Committee approved US \$[91,535,188] (including agency support costs) for [191] investment and demonstration projects. The implementation of these projects will eliminate an estimated quantity of [14,274] ODP tonnes of ozone-depleting substances. A breakdown by sector is as follows:

Sectors	Total allocation (US \$)	ODP tonnes to be phased out
Aerosol	\$1,150,808	330
Foam	\$31,791,196	4,337
Fumigant	\$2,612,328	84
Halon	\$1,076,212	1,321
Process agent	\$413,580	375
Production	\$21,800,000	5,420
Refrigeration	\$27,364,195	2,099
Solvent	\$4,880,412	287
Sterilant	\$446,457	21
Total	\$91,535,188	14,274

Methyl bromide projects

18. Since the commencement of funding for methyl bromide projects in 1997 a total of 44 demonstration and investment projects have been approved for 32 countries. Of these, 5 demonstration projects were approved for 4 countries and two investment projects were approved for two countries in the period under review. The total funding allocated to demonstration and investment project is US \$16.74 million and the total amount of methyl bromide to be phased out is 149 tonnes.

Country programmes

19. During the period under review the Executive Committee approved [4] additional country programmes. This brings the total number of approved country programmes to [105], covering the estimated production of [147,300] ODP tonnes of CFCs and halons and consumption of [192,600] ODP tonnes of controlled substances. This represented [91.5] per cent of the total consumption and 92 per cent of the total production of CFCs and halons in Article 5 countries in 1997 (as reported by the Ozone Secretariat).

Institutional strengthening

20. During the period under review, US \$[1,983,152] was approved for commencement of institutional-strengthening projects in [4] new Article 5 countries and renewal of [14] existing institutional-strengthening projects. This brings the total approvals by the Committee to US \$[21,409,321] for institutional-strengthening projects in [101] Article 5 countries.

Technical assistance and training

21. Since the inception of the Multilateral Fund, a total of [537] technical assistance projects and activities have been approved, at a total cost of US \$[74,725,147], for workshops, awareness campaigns, ODS recovery and recycling programmes, training programmes, the development of sectoral phase-out strategies, and project preparation. The total includes [171] training programmes at the national, regional or global levels, costing US \$[14,004,311]. As of end of 1998, [303] national training programmes, regional workshops and global training activities have been completed.

Refrigerant Management Plans

22. During the period under review 12 RMPs were approved, bringing the total numbers approved to 44 projects. All projects approved in the review period contained similar components; training of technicians, training of customs officers, implementation of a recovery and recycling project and additional institutional support for development of legislation. The approvals contain a condition that no funds should be disbursed until the regulatory and legislative requirement to control imports are in place.

Allocations to Implementing Agencies

23. During the period under review, the Executive Committee approved the following allocations to the Implementing Agencies and bilateral agencies, including Agencies' support costs, where applicable, for investment projects and non-investment projects and activities:

Agency	US \$
IBRD	\$45,472,604
UNDP	\$22,947,088
UNEP	\$2,524,758
UNIDO	\$23,803,905
Bilateral	\$6,405,357
Total	\$101,153,712

Disbursement by the Implementing Agencies

24. The following table gives the amounts allocated to, and disbursed by, each of the Implementing Agencies and bilateral agencies for activities approved since 1991.

Agency	US\$ approved(1)	US\$ disbursed (2)
IBRD	\$399,129,655	\$183,930,171
UNDP	\$271,529,666	\$120,030,618
UNEP	\$39,453,660	\$21,334,462
UNIDO	\$205,334,681	\$91,467,573
Bilateral	\$31,582,469	\$16,850,941
Total	\$947,030,131	433,613,766

(1) As of October 1999, including agency fees.

(2) As of end-1998, excluding agency fees.

E. Monitoring and EvaluationMonitoring and evaluation work programme for 1999

25. At its Twenty-seventh meeting the Executive Committee approved the 1999 work programme for monitoring and evaluation; and decided at its Twenty-eighth Meeting that the methodology for the evaluation of refrigeration sector projects should include the identification of Executive Committee decisions that might potentially influence the choice of technologies for the conversion of ODS-using technologies.

Status of ODS phase-out in Article 5 countries

26. At its Twenty-eighth meeting the Executive Committee reviewed the 1999 status report of ODS phase-out by Article 5 countries and adopted a number of measures for the purpose of

facilitating planning for the next triennium and clarifying data related to perceived anomalies concerning ODS phase-out and the disbursement of funds.

Project implementation delays

27. At its Twenty-seventh and Twenty-eighth Meetings, the Executive Committee took a number of decisions relating to specific projects that had encountered implementation delays and noted the cancellation of several such projects.

28. In order to overcome implementation delays, at its Twenty-eighth Meeting, the Executive Committee decided to encourage cooperation between international implementing agencies and national governments in Article 5 countries with a view to developing umbrella projects and sector approaches.

29. Having heard explanations by some of the implementing agencies at its Twenty-eighth Meeting that delays in the implementation of recovery and recycling projects were sometimes the result of Executive Committee decisions not to implement such projects until all the necessary regulatory and legislative measures had been adopted, the Executive Committee requested the implementing agencies concerned to report to the Twenty-ninth Meeting on the steps taken at the national level to expedite the provision of the necessary regulatory and legislative measures.

F. Special initiatives

Agreement for the China production sector

30. The Executive Committee decided at its Twenty-seventh Meeting to approve the agreement for the China production sector under which China would be compensated a total of US \$150 million to be disbursed over a period of 10 years for the phased reduction and closure of the entire CFC production capacity in China.

Agreement for the India production sector

31. [To be completed after 29th ExCom]

Process agents

32. At its Twenty-seventh Meeting, the Executive Committee adopted Framework Guidelines/Broad Principles for Process Agent Projects, noting that, as additional projects were considered and approved, information on cost-effectiveness, emissions limits and other requirements concerning eligibility and the determination of incremental costs would emerge. The Committee also decided that that information could form the basis for the Committee to report to Parties on emissions limits (for the purpose of administering decision X/4) and for possible development at a later stage of more detailed guidelines for each of the process agent applications listed in the decision.

Indian halon phase-out strategy

33. At its Twenty-eighth Meeting, the Executive Committee took note of the Indian halon phase-out strategy submitted by UNDP on behalf of the Government of India. The technical audit of the halon production facilities in India was completed by a consulting firm contracted by the Fund Secretariat in response to a request from the Government of India.

Strategy plan for ODS phase-out from production of extruded polyethylene and polystyrene foams sub-sectors of China

34. [To be completed after 29 ExCom].

Phase-out Plan for the Solvent Sector in China

35. [To be completed after 29 ExCom]

Tobacco Sector Phaseout Plan of China

36. UNIDO submitted, on behalf of the Government of China, the revised phaseout plan for the tobacco sector to the 29th meeting for consideration of the Executive Committee. [To be completed after the 29th meeting].

G. Policy matters

Strategy and guidelines for the methyl-bromide sector

37. At its Twenty-seventh meeting the Executive Committee set up a working group, composed of Algeria, Brazil, Canada, China, Italy and the United States of America, to revise the existing guidelines for projects in the methyl bromide sector. The Committee requested the Secretariat to prepare a document, incorporating information from experts in the field and members of the Methyl Bromide Technical Options Committee, as well as findings from demonstration projects.

38. The Fund Secretariat convened a meeting of international experts on methyl bromide alternative technologies in June 1999 and submitted a report to the 28th Meeting of the Executive Committee.

39. The working group will report to the 29th meeting on revising the existing guidelines. [To be completed after the 29th Meeting].

Refrigerant management plans

40. At the Twenty-seventh Meeting, the Executive Committee, established a contact group to review the various issues related to the refrigerant management plans. Committee Members and Implementing Agencies were invited to communicate their views and field experience.

41. The Facilitator of the group will report to the Executive Committee at its Twenty-ninth Meeting. [To be completed after the 29th Meeting]

Concessional lending

42. Subsequent to reviewing a concept paper on concessional lending presented by the United States of America at its Twenty-seventh Meeting, the Executive Committee requested the Secretariat, in cooperation with the Implementing Agencies, to prepare, a compendium of past decisions and experiences so far with loan components; and real-life scenarios, highlighting issues and problems that might be associated with them, including such concerns as the lack of management capacity in some countries and the fear of augmenting the national debt of countries that were already in economic crisis.

43. In considering the discussion paper on concessional lending prepared in response to the above decision, the Executive Committee at its 28th meeting took note of the following principles presented by the representative of Canada and discussed by the Executive Committee: (a) recipient Governments should not be required to assume additional official debt as a result of agreeing to Multilateral Fund projects that utilized more innovative financing arrangements; (b) if a country agreed to a project which included concessional lending or “innovative funding” arrangements, any funds which are eventually repaid to the project should be used, at the direction of the Executive Committee, to address further related needs within the same country; (c) the parameters of innovative financing projects must be tailored to meet the needs of the project being considered and the capacity of the recipient country; and (d) the operation of concessional loans, or other innovative financing mechanisms, required an appropriate provision for administrative costs.

44. The Committee also invited its members to submit to the Secretariat comments on these four principles or further such principles required, to be incorporated into a broad framework document to be considered both as an item on the agenda and in a large-scale informal meeting at the Twenty-ninth Meeting of the Executive Committee.

[To be completed/revised after the 29th Meeting]

New sub-sector for assembly, installation and charging of refrigeration systems

45. At its Twenty-seventh Meeting, the Executive Committee noted that this new sub-sector, was not yet fully defined, and established some initial guidelines for activities characterized by the assembly, installation and charging of refrigeration systems. At its Twenty-eighth Meeting, the Committee further decided that, when submitting project proposals for enterprises in the services sector, implementing agencies should strive to provide, wherever possible, data on procurement and consumption of ODS for a three-year period, or an explanation of why such data could not be furnished.

Eligibility of ODS consumption arising from evaporation losses in the foam industry

46. At its Twenty-seventh Meeting, the Executive Committee reaffirmed the provision requirements that extreme care was to be taken to ensure the reliability and accuracy of data on ODS consumption and requested that enterprises make the relevant records available to the

implementing agencies. The Committee requested the implementing agencies to determine ODS evaporation losses in foam projects and decided that losses of up to 10 per cent of the ODS purchased and used in the production of foam could be considered as eligible ODS consumption of an enterprise.

Initial guidelines for the commercial refrigeration end-user sector

47. At its Twenty-seventh Meeting, the Executive Committee considered the issue and decided to request the Secretariat and the implementing agencies to refine the draft initial guidelines prepared for the sector. At its Twenty-eighth Meeting, the Executive Committee adopted the set of initial guidelines for end-user conversion in the commercial refrigeration sector, to be applicable for an initial period of 18 months, after which time they would be subjected to review.

Sterilants sector

48. At its Twenty-eighth Meeting, the Executive Committee adopted initial guidelines for projects in the sterilants sector, with the understanding that the guidelines would be reviewed after sufficient projects in the sector had been considered. Such review would enable general conclusions on costs to be drawn and would permit consideration of a cost-effectiveness threshold. Pending the review, the cost-effectiveness of proposals would be considered on a case by case basis.

H. Matters relating to the Meeting of the Parties

49. In response to decisions VIII/5, VIII/7, IX/14, and X/31, the Executive Committee is annexing hereto its report to the Eleventh Meeting of the Parties on actions taken to improve the financial mechanism for the implementation of the Montreal Protocol.

I. Fund Secretariat activities

50. Implemented the establishment of the monitoring and evaluation function in the Secretariat with the recruitment of the Senior Evaluation Officer.

51. In the reporting period, the Fund Secretariat prepared documentation and provided conference services for the Twenty-seventh, Twenty-eighth and Twenty-ninth meetings of the Executive Committee, three meetings each of the Sub-Committee on Project Review, the Sub-Committee on Monitoring, Evaluation and Finance, and the Subgroup on the Production Sector.

52. The Fund Secretariat analysed and reviewed proposals for [755] projects and activities from Implementing Agencies and bilateral donors and commented on [7] country programmes. Comments and recommendations were provided, as appropriate, on all proposals submitted for the consideration of the Executive Committee.

53. The Fund Secretariat also prepared [15] papers on emerging or ongoing policy issues. In addition to specific policy papers, the Fund Secretariat presented other operational policy issues to the Executive Committee in overview papers prepared for each meeting.

54. The Secretariat sponsored the international expert group meeting on methyl bromide alternative technologies in June 1999 and assisted in the revision of the guidelines for methyl bromide projects. The Fund Secretariat also organized 4 coordination meetings with the implementing agencies.

55. Archival and reference documents, including the Inventory of Approved Projects and the Policies, Procedures and Guidelines handbook were updated and circulated as appropriate.

56. The Fund Secretariat administered the following contracts:

- Technical audits of the CFC production facilities in China and India
- Technical audit of the halon production facilities in India
- Sector evaluations on the refrigeration programme and institutional strengthening projects

57. Secretariat staff undertook several missions relating to the programme of the Multilateral Fund, meetings of the Parties, and GEF Council meetings.

J. Reports of the Executive Committee

58. The reports of the Twenty-seventh and Twenty-eighth meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/27/48 and Corrs.1 and 2 and UNEP/OzL.Pro/ExCom/28/57, respectively) have been distributed to all Parties to the Montreal Protocol.

ANNEX I

**ACTIONS TAKEN TO IMPROVE THE FINANCIAL MECHANISM FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL**

Introduction

This report is submitted by the Executive Committee pursuant to the following Decisions of the Meetings of the Parties:

“To request the Executive Committee to move forward as expeditiously as possible on decision VII/22, and in particular Actions 5, 6, 10, 11, 14 and 21, and to report back to the Ninth Meeting of the Parties”;

Decision VIII/5

“To request the Executive Committee to continue with further actions to implement decision VII/22 to improve the Financial Mechanism and report to the Meetings of the Parties annually”; and,

Decision VIII/7

“To request the Executive Committee to continue with further actions to implement decision VII/22 to improve the Financial Mechanism and to include in its annual report to the Meeting of the Parties an Annex updating information on each action that has not been previously completed, as well as a list of actions that have been completed.”

Decision IX/14

This submission updates the report submitted to the Tenth Meeting of the Parties (UNEP/OzL.Pro/10/6, Annex I) and reflects recent decisions of the Executive Committee.

According to Decision IX/14 this report has two parts: Part I contains the updates on those Actions which have not previously been completed. Part II provides a list of Actions which have been completed.

PART I: ACTIONS WHICH HAVE NOT PREVIOUSLY BEEN COMPLETED

ACTION 1

- (a) **COMPLETION OF THE DEVELOPMENT BY THE EXECUTIVE COMMITTEE OF (ii) A MONITORING AND EVALUATION GUIDELINES, BEARING IN MIND THAT OPERATIONAL RESPONSIBILITY REMAINS WITH GOVERNMENTS, FINANCIAL INTERMEDIARIES OR THE IMPLEMENTING AGENCIES**

Update since the Tenth Meeting of the Parties:

- The Senior Evaluation Officer took up his post in the Multilateral Fund Secretariat in February 1999 and submitted the draft 1999 monitoring and evaluation work programme to the Executive Committee's 27th Meeting in March 1999. At the Meeting, the Executive Committee (a) approved the draft 1999 work programme and (b) requested the Secretariat to submit a draft monitoring and evaluation work programme for 2000 for consideration at the third meeting of the Executive Committee in 1999.
 - Upon reviewing the interim report by the Senior Evaluation Officer on the implementation of the 1999 monitoring and evaluation work programme, in particular the results of the desk review of the sector evaluations on institutional strengthening projects and refrigeration projects, the Executive Committee at its Twenty-eighth Meeting (a) took note of the progress achieved and work planned in the implementation of the 1999 work programme and (b) decided that methodology for the evaluation of refrigeration sector projects should include the identification, in collaboration with the implementing agencies and bilateral agencies, of Executive Committee decisions that might potentially influence the choice of technologies for the conversion of ODS-using technologies.
 - After considering the draft evaluation reports on institutional strengthening projects and refrigeration projects submitted by the Senior Evaluation Officer, the Executive Committee at its Twenty-ninth Meeting decided (To be completed after the 29th Meeting)
 - **Since the monitoring and evaluation function has now been established in the Fund Secretariat, and annual monitoring and evaluation work programmes are being developed and implemented, this action is complete.**
- (b) **THE EXECUTIVE COMMITTEE TO EXAMINE THE INTEGRATION OF AGENCIES' AND SECRETARIAT'S PROJECT REVIEW ACTIVITIES NO LATER THAN SIX MONTHS AFTER IT HAS CONCLUDED THAT THE PRECONDITIONS FOR INCREASED DELEGATION SET OUT IN THE RECOMMENDATIONS IN PARAGRAPHS 90 AND 91 HAVE BEEN MET.**

As reported previously, preconditions for increased delegation are yet to be met. Integration of the Agencies and Secretariat's project review activities will be considered no later than six months after these preconditions have been met.

- (c) **FURTHER DELEGATION BY THE EXECUTIVE COMMITTEE IN DUE COURSE, WITH A VIEW TO ACHIEVING APPROPRIATE DELEGATION OVER TIME.**

As reported previously, the Executive Committee will continue to pursue further delegation, as deemed appropriate, over time.

- (d) **EVALUATION OF SMALL PROJECT APPROVAL PROCESS (SPAP) BY THE EXECUTIVE COMMITTEE ON COMPLETION OF THE CURRENT PROJECT GROUP.**

As reported previously, evaluation of the SPAP by the World Bank is still in progress.

ACTION 4

THE EXECUTIVE COMMITTEE SHOULD OVERSEE THE COMPLETION BY THE IMPLEMENTING AGENCIES AND THE SECRETARIAT, JOINTLY, BY THE END OF 1995 OF A COMPREHENSIVE, INTEGRATED DATABASE COMMON TO ALL AGENCIES AND THE SECRETARIAT, IN CONJUNCTION WITH THE COMPLETION OF STANDARD PROJECT OUTLINES (TEMPLATES), WITH A VIEW TO ACHIEVING A DECREASE IN THE NUMBER OF PROJECTS UNDERGOING SUBSTANTIAL REVISION OR REDUCTION IN PROPOSED PROJECT COSTS DUE TO THE PROJECT REVIEW PROCESS AND REVIEW THE DATABASE IN MID-1996.

Update since the Tenth Meeting of the Parties

The database containing entries on key foam and refrigeration equipment is in use as required by the implementing agencies and the Secretariat. The Secretariat is considering how to extend the database to other sectors in the light of operational problems arising from wide variations in the detailed specifications of the equipment.

ACTION 5

- (a) **THE EXECUTIVE COMMITTEE SHOULD EXAMINE THE EFFECTIVENESS OF ITS POLICY DISSEMINATION PROCEDURES IN EARLY 1996. THE PROCEDURES SHOULD INCLUDE THE PROVISION OF PRACTICAL EXAMPLES OF THE APPLICATION OF POLICY DECISIONS, WITH A VIEW TO REDUCING THE EXTENT OF PROJECT REVISION DURING THE REVIEW PROCESS, AND ALSO EXAMINE THE DEGREE TO WHICH NATIONAL OZONE PROTECTION UNITS AND CONSULTANTS CONSIDER THEY HAVE SUFFICIENT INFORMATION TO GUIDE PROJECT DEVELOPMENT.**

As reported previously:

- Reports of meetings of the Executive Committee are sent on a regular basis to all Parties to the Montreal Protocol.
- Policy dissemination is an integral part of the UNEP IE OzonAction programme, continued funding for which has been approved by the Executive Committee.
- Regular coordination meetings between the Fund Secretariat and the implementing agencies and full cooperation in studies on new or emerging technologies are providing a high level of common understanding between all the players involved in project formulation and review.
- A meeting of consultants working on Multilateral Fund activities was held. Additional meetings are foreseen to ensure that the consultants preparing projects are familiar with the contents of the database of major capital equipment.
- The Policies, Procedures and Guidelines handbook, which contains all policy and other decisions taken by the Executive Committee, is updated after every Executive Committee Meeting and made available to the Implementing Agencies. UNEP/IE provides the electronic version of the document in its diskette information service.
- Two further meetings of consultants working on Multilateral Fund activities in the foam sector were held, in 1998 one by means of a telephone conference. Additional meetings are foreseen as necessary to discuss continuing technological developments and their effect on equipment requirement.
- In addition, the Secretariat has established a web site which includes all Executive Committee decisions related to project development, review and approval and will be continuously updated.

Update since the Tenth Meeting of the Parties:

- These various measures constitute an effective examination of policy dissemination procedures and implementation of appropriate procedures. **This action can be considered as complete.**

(b) **THE EXECUTIVE COMMITTEE SHOULD DEVELOP OPERATIONAL GUIDELINES FOR AGENCIES AND THEIR CONSULTANTS.**

As reported previously:

- Each of the implementing agencies submits an annual business plan which cites both investment and non-investment activity in the Article 5 country concerned. The business plan also identifies major policy issues as well as performance indicators.
- Operational guidelines in the form of project “templates” are in use in the domestic refrigeration and foam sub-sectors.
- A database on the cost of major capital equipment items is currently under development jointly by the Fund Secretariat and the Implementing Agencies. The database will reflect, *inter alia*, the actual cost of equipment procured for approved projects.
- A data base on the cost of major capital equipment items in the foam and refrigeration sectors is in use. The data base reflects the actual cost of equipment procured for approved projects.
- The Secretariat and the implementing agencies agreed on a standard format for project proposals.

Update since the Tenth Meeting of the Parties:

- There have been no new developments since the last report. The development of projects and their consideration by the Executive Committee is proceeding satisfactorily in accordance with annual business plans. **This action can be considered as complete.**

(c) **THE EXECUTIVE COMMITTEE SHOULD CONSIDER A REPORT ON INCREMENTAL COSTS FOR THE PRODUCTION OF CFC-SUBSTITUTES AND ESTABLISH FIRM COMPENSATION POLICIES WITH A VIEW TO COMPLETING INCREMENTAL COST GUIDELINES FOR THE PRODUCTION OF CFC SUBSTITUTES BY MID-1996.**

Update since the Tenth Meeting of the Parties:

- The Executive Committee approved the China halon sector phase-out strategy in 1997 at a funding level of US \$62 million and the CFC sector phase-out plan in 1999 at a funding level of US \$150 million. Both sector phase-out plans will be

implemented over a period of 10 years, with annual fund disbursement levels and phase-out targets established.

- In the second half of 1999, the Executive Committee's Subgroup on the Production Sector concluded an agreement with the Government of India on the phase-out of the CFC production sector. The agreement will be submitted for consideration at the Twenty-ninth Meeting of the Executive Committee.
- After the approval of the Indian CFC sector phase-out plan, **the action will be completed.**

ACTION 6

THE EXECUTIVE COMMITTEE SHOULD EVALUATE THE REGIME ADOPTED FOR 1995, TAKING INTO ACCOUNT THE STUDY'S RECOMMENDATIONS, INCLUDING THE RECOMMENDATION THAT: "COST-EFFECTIVENESS NORMS SHOULD BE PREPARED BASED ON MODEL PROJECTS OF DIFFERENT CAPACITIES UNDER STANDARD CONDITIONS. THEREAFTER, PROJECTS SHOULD BE ASSESSED ON THEIR OWN MERITS." NONETHELESS, ALL ELIGIBLE PROJECTS SHALL CONTINUE TO BE FUNDED OVERTIME IRRESPECTIVE OF THEIR RELATIVE COST-EFFECTIVENESS. IN CASE OF DELAYED FUNDING, HOWEVER, LUMP-SUM PAYMENTS COULD BE CONSIDERED.

Prior to dedicating in 1999 US \$10 million as a pilot programme for SMEs, the Executive Committee had decided to exempt all projects from LVCs from being evaluated against the cost-effectiveness thresholds, and to allow flexibility on cost-effectiveness for umbrella and sector phase-out projects.

As for the pilot programme set up in 1999, the Executive Committee decided that:

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

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

- Group projects should be at a level of US \$1 million or less, and should have an overall cost-effectiveness of no more than 150 per cent of the level of the current cost-effectiveness thresholds for the relevant eligible subsectors.. Such group

projects should use the most cost-effective technologies reasonably available, and should consider the possible use of centralized/group use of equipment and industrial rationalization;

- The group project should be put forward with a government plan, including policies and regulations designed to ensure that the specific level of agreed reduction to be achieved was sustained;
- No single country may apply for more than US \$1 million from this pilot funding window although projects from one country may cover more than one sector.

Update since the Tenth Meeting of the Parties:

- ***There has been no new development since the last report.***

ACTION 7

- (a) **RELEVANT IMPLEMENTING AGENCIES SHOULD REVIEW INSTITUTIONAL STRENGTHENING EXPERIENCES AND PRESENT A COMBINED PAPER TO THE EXECUTIVE COMMITTEE, WHICH WILL INCLUDE GUIDELINES ON THE POSSIBLE PROPORTIONATE COMMITMENT OF ARTICLE 5 COUNTRIES IN SUCH AREAS AS FINANCIAL, ORGANIZATIONAL AND HUMAN RESOURCE SUPPORT, WITH A VIEW TO ENHANCING THE EFFECTIVENESS OF ODS PHASE-OUT STRATEGIES.**

Update since the Tenth Meeting of the Parties:

- At its Twenty-seventh Meeting, the Executive Committee decided to (a) request the Secretariat to invite members of the Executive Committee to provide to the Secretariat before 1 May 1999 their views on the effectiveness of existing institutional strengthening arrangements and the functioning of ozone units; and (b) to request the Secretariat, in cooperation with the Implementing Agencies, to prepare a document for the next meeting of the Sub-Committee on Monitoring, Evaluation and Finance summarizing the main features of Implementing Agencies' existing agreements for institutional strengthening.
- At the same time the evaluation of the institutional strengthening projects as part of the 1999 work programme for monitoring and evaluation was under way and results from the evaluation would be available to the Twenty-ninth Meeting of the Executive Committee.
- **The reviews described above constitute implementation of this action which can now be considered as complete.**

ACTION 10

THE STUDY BY THE WORLD BANK ON THE ESTABLISHMENT OF A CONCESSIONAL LOAN MECHANISM, REQUESTED BY THE EXECUTIVE COMMITTEE AT ITS SIXTEENTH MEETING, SHOULD BE COMPLETED AS SOON AS POSSIBLE, AND ANALYZED AND DISCUSSED BY THE EXECUTIVE COMMITTEE AT ITS NINETEENTH MEETING, AND A DECISION ON SUITABLE FUTURE STEPS BE TAKEN BY THE EXECUTIVE COMMITTEE BY ITS TWENTIETH MEETING OR BY THE MEETING OF THE PARTIES IN 1996, AS APPROPRIATE, WITH A VIEW TO STARTING THE USE OF CONCESSIONAL LOANS BY THE END OF 1996, TO THE EXTENT THAT THE NEED AND DEMAND EXIST.

Update since the Tenth Meeting of the Parties:

- In the context of reviewing a concept paper on concessional lending presented by the United States of America at its Twenty-seventh Meeting, the Executive Committee decided (a) to request the Secretariat, in cooperation with the Implementing Agencies, to prepare a document for the Twenty-eighth Meeting of the Executive Committee containing a compendium of past decisions and describing experiences so far with loan components; (b) to request the Secretariat and the Implementing Agencies to collaborate on real-life scenarios, highlighting issues and problems that might be associated with them, including such concerns as the lack of management capacity in some countries and the fear of augmenting the national debt of countries that were already in economic crisis. (c) to consider this subject again at the Twenty-eighth Meeting.
- In considering the discussion paper on concessional lending prepared in response to the above decision, the Executive Committee decided:
 - (a) to take note of the following principles presented by the representative of Canada and discussed by the Executive Committee:
 - Recipient Governments should not be required to assume additional official debt as a result of agreeing to Multilateral Fund projects that utilized more innovative financing arrangements;
 - If a country agreed to a project which included concessional lending or “innovative funding” arrangements, any funds which are eventually repaid to the project should be used, at the direction of the Executive Committee, to address further related needs within the same country;
 - The parameters of innovative financing projects must be tailored to meet the needs of the project being considered and the capacity of the recipient country;
 - The operation of concessional loans, or other innovative financing mechanisms, required an appropriate provision for administrative costs;
 - (b) To invite the members of the Executive Committee to submit to the Secretariat comments on these four principles or further such principles

required, to be incorporated into a broad framework document to be considered at the Twenty-ninth Meeting of the Executive Committee;

- (c) To discuss the issue and principles at the Twenty-ninth Meeting, both as an item on the agenda and in a large-scale informal meeting.

ACTION 11

THE EXECUTIVE COMMITTEE SHOULD EXAMINE THE ISSUE OF INDUSTRIAL CONSOLIDATION, TAKING INTO ACCOUNT NATIONAL INDUSTRIAL STRATEGIES OF ARTICLE 5 COUNTRIES, WITH A VIEW TO ACHIEVING MORE EFFECTIVE APPROACHES TO ODS PHASE-OUT.

Update since the Tenth Meeting of the Parties:

- The Executive Committee has set up a working group to assist it to deal with the draft phase out plan for the solvent sector in China which, if approved, would involve industrial consolidation.
- At the same time, the Government of China has also submitted for consideration by the Executive Committee ODS phase out strategies in the foam and tobacco sectors. Once approved, their implementation will involve industrial consolidation at varying degrees.

ACTION 13

THE IMPLEMENTING AGENCIES SHOULD REPORT TO THE EXECUTIVE COMMITTEE ON MEASURES TO INCLUDE ODS PHASE-OUT ISSUES INTO THEIR ONGOING DIALOGUE ON DEVELOPMENT PROGRAMMING AND ON MEASURES THEY COULD TAKE TO MOBILIZE NON-FUND RESOURCES IN SUPPORT OF MONTREAL PROTOCOL OBJECTIVES, WITH A VIEW TO ACHIEVING AN INCREASE IN THE NUMBER OF OZONE-PROTECTION PROJECTS.

Update since the Tenth Meeting of the Parties:

- In addition to the Thai chiller project which was reported to the Tenth Meeting of the Parties as a co-financing scheme between the Multilateral Fund and the Global Environment Facility, the Executive Committee approved funding in 1999 to be supplemented by a local funding source in Mexico to implement the chiller replacement programme in the country.

ACTION 14

THE EXECUTIVE COMMITTEE SHOULD CONSIDER THE NEED FOR NEW IMPLEMENTING AGENCIES FOR LOAN PROGRAMMES IN THE LIGHT OF EMERGING SECTORAL STRATEGY POLICIES AND FOR METHYL BROMIDE AFTER THE SEVENTH MEETING OF THE PARTIES.

Reported previously by the Executive Committee:

- At this stage, the Executive Committee has not concluded that additional implementing agencies are required for concessional loan programmes.
- The interim guidelines for methyl bromide projects adopted at the Twenty-fourth Meeting do not make reference to additional implementing agencies.
- The discussion on setting up a lending programme under the Multilateral Fund took place at the Twenty-fifth Meeting and will continue at the Twenty-sixth Meeting. An open-ended working group is trying to work out a consensus.

Update since the Tenth Meeting of the Parties:

- ***There has been no new development since the last report.***

ACTION 17

THE EXECUTIVE COMMITTEE SHOULD REQUEST EACH IMPLEMENTING AGENCY TO REPORT, AS AND WHEN THE ISSUE ARISES, ON LEGAL AND INSTITUTIONAL IMPEDIMENTS TO PROJECT IMPLEMENTATION AND MEASURES TAKEN TO ADDRESS THEM AS SOON AS POSSIBLE.

Update since the Tenth Meeting of the Parties:

- In view of the reported cases of custom clearance and the unanticipated storage costs resulting from them, the Executive Committee at its 26th meeting urged all recipient Governments operating under Article 5 to expedite customs clearance and to refrain from levying any taxes or duties, in accordance with the terms of their agreement with the implementing agencies relating to the levying of taxes and duties on equipment and incremental costs during project implementation and require the implementing agencies to take steps to prevent the occurrence of any customs clearance and excessive storage costs problems in future project proposals.
- At its Twenty-eighth Meeting, in the context of considering the issue of implementation delays of recovery and recycling projects due to the Executive Committee decision not to implement such projects until all the necessary regulatory and legislative measures were in place, the Executive Committee

decided to request those implementing agencies to report to its Twenty-ninth Meeting on the steps taken at the national level to expedite the provision of the necessary regulatory and legislative measures required for successful recovery and recycling projects.

- To overcome implementation delays, the Executive Committee also encouraged cooperation between international implementing agencies and the national governments in Article 5 countries to develop umbrella projects and sector approaches.
- Since the above institutional measures have been put in place by the Executive Committee to address impediments to project implementation, **this action can now be considered as complete.**

ACTION 21

- (a) **THE EXECUTIVE COMMITTEE SHOULD PREPARE AN ITEMIZED PROGRESS REPORT ON MEASURES TAKEN SO FAR, IN THE CONTEXT OF ARTICLE 10 OF THE PROTOCOL, TO ESTABLISH A MECHANISM SPECIFICALLY FOR THE TRANSFER OF TECHNOLOGY AND THE TECHNICAL KNOW-HOW AT FAIR AND MOST FAVORABLE CONDITIONS NECESSARY TO PHASE OUT OZONE-DEPLETING SUBSTANCES; AND AT THE SAME TIME.**
- (b) **THE EXECUTIVE COMMITTEE SHOULD REQUEST UNEP TO INTENSIFY ITS EFFORTS TO COLLECT INFORMATION FROM RELEVANT SOURCES, AND TO PREPARE AN INVENTORY AND ASSESSMENT OF ENVIRONMENTALLY SOUND AND ECONOMICALLY VIABLE TECHNOLOGIES AND KNOW-HOW CONDUCIVE TO PHASE OUT OF OZONE-DEPLETING SUBSTANCES. THIS INVENTORY SHOULD ALSO INCLUDE AN ELABORATION OF TERMS UNDER WHICH TRANSFERS OF SUCH TECHNOLOGIES AND KNOW-HOW COULD TAKE PLACE.**
- (c) **THE EXECUTIVE COMMITTEE SHOULD CONSIDER WHAT STEPS CAN PRACTICABLY BE TAKEN TO ELIMINATE ANY IMPEDIMENTS IN THE INTERNATIONAL FLOW OF TECHNOLOGY.**
- (d) **THE EXECUTIVE COMMITTEE SHOULD FURTHER ELABORATE THE ISSUE OF THE ELIGIBLE INCREMENTAL COSTS OF TECHNOLOGY TRANSFER, INCLUDING COSTS OF PATENTS AND DESIGNS AND THE INCREMENTAL COSTS OF ROYALTIES AS NEGOTIATED BY THE RECIPIENT ENTERPRISES.**

THE ACTIONS IN SUBPARAGRAPHS (a), (b) and (c) SHOULD BE COMPLETED BY ITS NINETEENTH MEETING AND UPDATED PERIODICALLY, AND THE ACTION IN SUBPARAGRAPH (d) SHOULD BE TAKEN IMMEDIATELY.

Update since the Tenth Meeting of the Parties:

- At its Twenty-seventh Meeting, the Executive Committee decided to authorize UNEP to prepare a data base containing a description and characteristics of available ODS-substituting technologies and the terms under which such technologies were available for transfer, pending completion of the report of the informal group on technology transfer and formulation of terms of reference for this study.

[At its 28th Meeting the Executive Committee was informed that the report of the Informal Group was completed]

PART II: ACTIONS COMPLETED

The following actions were included in the Report for the Tenth Meeting of the Parties as having been completed, having become a standard practice of the Multilateral Fund or having been overtaken by other developments.

Action 1 (a) (i)

Action 1 (a) (iii)

Action 2

Action 3

Action 7 (b)

Action 8

Action 9

Action 12

Action 15

Action 16

Action 18

Action 19

Action 20