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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-seventh Meeting  
Montreal, 17-19 July 2002

**REPORT OF THE 17TH MEETING OF THE SUB-COMMITTEE  
ON MONITORING, EVALUATION AND FINANCE**

## Introduction

1. The Sub-Committee on Monitoring, Evaluation and Finance of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol held its 17<sup>th</sup> Meeting in Montreal on 15-16 July 2002.
2. The meeting was attended by the members of the Sub-Committee – the representatives of Canada, El Salvador, Finland, the Netherlands, Nigeria, Syrian Arab Republic (Chair) and Tanzania.
3. The meeting was also attended by representatives of the implementing agencies, the Ozone Secretariat, and the Treasurer.
4. The Chair of the Sub-Committee, Mr. Khaled Klaly (Syrian Arab Republic), opened the meeting at 10:00 a.m. on Monday, 15 July 2002, and welcomed the participants; in particular Mr. Marco Antonio Gonzales, the newly appointed Executive Secretary of the Ozone Secretariat.

## **AGENDA ITEM 1: ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK**

5. The Sub-Committee adopted the following agenda:
  1. Adoption of the agenda and organization of work;
  2. Status report on the evaluation of aerosol projects;
  3. Report on the desk study on halon projects;
  4. Report on the information collected concerning the status of implementation of MAC projects: follow-up to Decision 36/3;
  5. 2001 accounts of the Multilateral Fund;
  6. Completed projects with balances;
  7. Project implementation delays;
  8. Progress reports as at 31 December 2001:
    - (a) Consolidated progress report;
    - (b) Bilateral cooperation;
    - (c) UNDP;
    - (d) UNEP;
    - (e) UNIDO;

- (f) World Bank;
- 9. Evaluation of the implementation of the 2001 business plans;
- 10. Update report on the status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol;
- 11. Addenda to 2002 business plans;
- 12. Other matters;
- 13. Adoption of the report of the Sub-Committee;
- 14. Closure of the meeting.

**AGENDA ITEM 2: STATUS REPORT ON THE EVALUATION OF AEROSOL PROJECTS**

6. The Sub-Committee considered the status report on the evaluation of aerosol projects and recommended that the Executive Committee take note of the status report presented in document UNEP/OzL.Pro/ExCom/37/5.

**AGENDA ITEM 3: REPORT ON THE DESK STUDY ON HALON PROJECTS**

7. The Sub-Committee considered the report on the desk study on halon projects (UNEP/OzL.Pro/ExCom/37/6) which presented the main findings resulting from a desk study of halon projects in Article 5(1) countries, the evaluation issues identified and the approach proposed for selected field visits of halon projects.

8. After some discussion concerning the need to make use of the initial findings of the desk study, the environmental and safety concerns related to the replacement technologies used, the question whether indeed FM200, an HFC, is the only feasible alternative for some fixed systems, the lack of information provided in project completion reports on the destruction or disposal of replaced equipment, and the need for these issues to be given careful attention in the field evaluations, the Sub-Committee recommended that the Executive Committee take note of the report on the desk study on halon projects presented in document UNEP/OzL.Pro/ExCom/37/6, and request the Senior Monitoring and Evaluation Officer to proceed with the field evaluations taking into account the comments received.

**AGENDA ITEM 4: REPORT ON THE INFORMATION COLLECTED CONCERNING THE STATUS OF IMPLEMENTATION OF MAC PROJECTS: FOLLOW-UP TO DECISION 36/3**

9. The Sub-Committee considered the report on information collected concerning the status of implementation of MAC projects as follow-up to Decision 36/3 (UNEP/OzL.Pro/ExCom/37/7 and Corr.1).

10. The Sub-Committee discussed the progress achieved in terms of the phasing out of CFC-12 based MAC systems, as well as the continued installation of CFC-12 MAC systems in new cars in some countries and the ongoing production of CFC-based MAC systems and components for the after sales market. The representative of the World Bank clarified that in Thailand CFC-based MACs are no longer being installed in new cars, while in Malaysia this is still the case for some new commercial vehicles. The practice of filling HFC-134a MAC systems with lower price CFC-12 was also mentioned. Concern was expressed about the increased use of HFC-134a and its contribution to global warming. After noting that regulations had been adopted or were planned in various countries to complete phase-out in the MAC sector, as well as the possibility of further regulations to prohibit the importation of CFC-based MAC systems and of cars using such systems, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the report on information collected concerning the status of implementation of MAC projects as follow-up to Decision 36/3 (UNEP/OzL.Pro/ExCom/37/7 and Corr.1);
- (b) Request the Senior Monitoring and Evaluation Officer to prepare an update of the present report in two years when most of the regulations under preparation by the countries concerned should be operational and the production of CFC-12 MAC systems will likely have ended, except for some limited quantities for the after sales market, and in that context to provide also an estimate of the increased use of HFC-134a as a consequence of conversion projects as well as information about filling HFC-134a MAC systems with CFC-12;
- (c) Limit the field evaluation to India, the only country which reported that significant numbers of CFC-MAC systems were still being installed by car manufacturers.

**AGENDA ITEM 5: 2001 ACCOUNTS OF THE MULTILATERAL FUND**

11. The Sub-Committee considered the audited accounts of the Fund for the years 1991-2000 and the certified accounts for the year 2001 (UNEP/OzL.Pro/ExCom/37/8 and Corr.1), which were presented by the Treasurer.

12. The Treasurer answered questions about how bilateral activities and the impact of the fixed-exchange-rate mechanism were reflected in the accounts. On the issue of reconciliation between the Fund's accounts and the data reported in the progress reports, the Treasurer

informed the Sub-Committee that most discrepancies had been elucidated at the meeting of the fund managers of the implementing agencies, the Secretariat, and the Treasurer. The proposed action would be presented for the Sub-Committee's consideration in the context of the consolidated progress reports under agenda item 8, Progress Reports as at 31 December 2001.

13. The Sub-Committee recommended that the Executive Committee take note with appreciation of the accounts of the Multilateral Fund for the years 1991-2000 and the certified accounts for the year 2001 (UNEP/OzL.Pro/ExCom/37/8 and Corr.1).

## **AGENDA ITEM 6: COMPLETED PROJECTS WITH BALANCES**

14. The Sub-Committee considered the report on completed projects with balances (UNEP/OzL.Pro/ExCom/37/9/Rev.1) and the return of funds from completed and cancelled projects, which was presented by the Secretariat. It also considered a report on the policy and use of administrative fees at the World Bank (UNEP/OzL.Pro/ExCom/37/70), presented by a representative of the World Bank.

15. In its report the World Bank explained that, in the past, it had handled projects funded by the Multilateral Fund as a programme rather than on a project-by-project basis, and had administered support costs as a package. The request to report expenditures of support costs on a project-by-project basis presented difficulties for the World Bank. The Sub-Committee therefore set up a small working group to discuss the issue.

16. After some discussion of balances from projects completed over two years ago and agency support costs, and based on the outcome of the working group, the Sub-Committee recommended that the Executive Committee:

- (a) Note the report contained in UNEP/OzL.Pro/ExCom/37/9/Rev.1;
- (b) Note the levels of funds being returned to the 37<sup>th</sup> Meeting totalling US \$3,712,818 plus support costs as follows by agency: US \$299,193 from UNDP and agency support costs of US \$38,894; US \$69,497 from UNEP and agency support costs of US \$9,035; US \$493,300 from UNIDO and agency support costs of US \$64,128 and US \$2,850,828 from the World Bank and agency support costs of US \$76,545;
- (c) Note that implementing agencies had balances totalling almost US \$3,557,800 excluding support costs from projects completed over two years ago, as follows: UNDP (US \$681,731 plus support costs); UNEP (US \$6,477 plus support costs); UNIDO (US \$2,292,145 plus support costs); and the World Bank (US \$577,447 plus support costs);
- (d) Agree to discuss the issue of offsetting balances from projects completed 24 months previously against new project approvals at a future meeting;
- (e) Request the World Bank to return agency support costs for all project savings and

cancelled projects as stipulated in Executive Committee decision 35/13(k), while noting that the issue of the return of agency support costs should be considered in the context of reconciliation of the Accounts of the Multilateral Fund and the implementing agency progress reports.

## **AGENDA ITEM 7: PROJECT IMPLEMENTATION DELAYS**

17. The Sub-Committee considered the report on implementation delays (UNEP/OzL.Pro/ExCom/37/10), which was presented by the Secretariat. It also heard reports from the implementing agencies regarding projects for which milestones had not been met, and projects recommended for cancellation.

18. In discussing project cancellations, the Sub-Committee addressed the need to move away from monitoring projects individually, toward a more strategic approach in which the Secretariat and the implementing agencies would proceed with project cancellations by applying existing rules, only submitting to the Sub-Committee those projects about which the Secretariat and the implementing agency could not agree, or which were critical to a country's compliance with the Montreal Protocol.

19. The Sub-Committee also considered the issue of how to approach projects that had been cancelled after most of the project funds had been disbursed and the project equipment had been delivered. The Secretariat reported that the current practice was that when a project was cancelled, funds were returned to the Multilateral Fund and the ODS phase-out was not recorded.

20. The Sub-Committee discussed the reasons for project cancellations, the possibility that cancelled projects could be resubmitted for further funding, the need for a method to reflect the amount of phase-out that had already occurred in these cases, the need for a pro rata comparison of the ODS phase-out achieved against funds already disbursed, and the purpose of having a special rule for those projects cancelled after the delivery of required equipment.

21. Following the discussion, the Sub-Committee recommended that the Executive Committee:

- (a) Note the reports contained in UNEP/OzL.Pro/ExCom/37/10 on projects that had experienced implementation delays from France and the four implementing agencies;
- (b) Note that the Secretariat and implementing agencies would take established actions according to the Secretariat's assessment of status, i.e., progress, some progress, or no progress and report and notify governments as required;
- (c) Note that the following projects had met their deadlines:
  - (i) Conversion of CFC-12 medium open type refrigerating compressor at Wuhan New World Refrigeration Industrial Co. Ltd. (CPR/REF/22/INV/208) (World Bank);

- (ii) Conversion of CFC-12 medium open type refrigerating compressor at Chongqing Bingyang Refrigerating Machine Co. (CPR/REF/22/INV/214) (World Bank);
  - (iii) Elimination of CFCs in the manufacture of rigid polyethurene foam through the use of HCFC-141b technology at Indufrio (COL/FOA/26/INV/30) (World Bank);
  - (iv) Elimination of CFCs in the manufacturing plants of domestic refrigerators of Frimetal, Rosario (ARG/REF/19/INV/44) (World Bank);
- (d) Monitor progress on the following projects, and request the implementing agencies to provide follow-up reports to the 38<sup>th</sup> Meeting of the Executive Committee:
- (i) Montreal Protocol implementation program (Phase II, second tranche) (CHI/MUS/26/INV/37) (World Bank);
  - (ii) Translate and print three guidelines and training modules into Arabic, Chinese, French and Spanish (GLO/SEV/23/TAS/153) (UNEP), noting that UNEP was urged to complete the project by the 38<sup>th</sup> Meeting of the Executive Committee;
- (e) Note that the Tanzania Domestic Appliance Manufacturers Ltd. Project (URT/REF/18/INV/06) had been cancelled since the enterprise involved had withdrawn;
- (f) Set deadlines to achieve milestones as follows:
- (i) Conversion to CFC-free technology in the manufacture of flexible (slabstock) polyurethane foam project at Chengdu Plastics No. 7 in China (CPR/FOA/20/INV/179) (World Bank); establish the Line of Credit prior to the submission of documents to the 38<sup>th</sup> Meeting of the Executive Committee;
  - (ii) Attarwala and Co. Pvt. Ltd. Aerosol conversion, Bombay in India (IND/ARS/22/INV/137) (World Bank); obtain approval by Chief Controller of Explosives prior to the submission of documents to the 38<sup>th</sup> Meeting of the Executive Committee;
  - (iii) Conversion of refrigerator manufacture from CFC-11 to pentane foam blowing agent in the production of PU insulation panels at Foshan Refrigeration Equipment General Factory (CPR/FOA/26/INV/267) (World Bank); make decision on new location of equipment by September 2002;
  - (iv) Conversion from MCF used as solvent to aqua based cleaning at Argelite La Rioja, SA; CIMCAM, SA; Grimoldi, SA; Heliodino SAIC; Interlat

Metalurgica, SA; Orbis Merig SAIC; Trosh SA; Unisol, SA and Buffalo, SA (ARG/SOL/28/INV/91) (World Bank); Buffalo SA to complete conversion by November 2002, and purchase orders issued for remaining companies;

- (g) Cancel the following projects or project components by mutual agreement:
- (i) Phasing out CFCs at Laboratoire Bendi in Algeria (ALG/ARS/20/INV/18) (UNIDO); noting that the Government agrees to recuperate the equipment and ensure that the equipment purchased for the Bendi project will be used in the future the conversion of an aerosol plant in Algeria if possible, the phase-out of 19.2 ODP tonnes, and that US \$53,700 was disbursed of the US \$56,790 approved before project cancellation;
  - (ii) Phasing out CFC-11 at Ets Leulmi Essaid flexible polyurethane foam plant in Algeria (ALG/FOA/22/INV/21) (UNIDO);
  - (iii) Phasing out of CFCs in the manufacturing plant of domestic refrigerators of Radio Victoria Catamarca, S.A. in Argentina (ARG/REF/22/INV/58) (UNIDO); noting that the original approval was for US \$599,896 and US \$145,352 was disbursed;
  - (iv) Elimination of CFCs in the manufacturing plant of domestic refrigerators at Lobato San Luis S.A. in Argentina (ARG/REF/23/INV/69) (World Bank);
  - (v) Project preparation in the aerosol sector in Bosnia and Herzegovina (BHE/ARS/30/PRP/03) (UNIDO);
  - (vi) Partial cancellation of the Hydraulic component of the Umbrella project for five enterprises converting from CFC-11 to HCFC-141b and from CFC-12 to HFC-134a at EZ Industria, Hydraulic, Menoncin, Unifrio and from CFC-12 to HFC-134a at Croydon in Brazil (BRA/REF/34/INV/219) (UNIDO); noting the adjustment of the project budget from US \$469,452 to US \$429,652 plus support costs;
  - (vii) Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of commercial refrigeration equipment and rigid polyurethane foam at Baharanfarr Co. in Iran (IRA/REF/31/INV/70) (UNDP); noting that Government informed UNDP that the company had changed owners and stopped its operation using ODS representing a phase-out of 19 ODP tonnes;
  - (viii) Preparation of a phase-out project in the methyl bromide sector in Kenya (KEN/FUM/30/PRP/21) (UNIDO);
  - (ix) Phasing out of CFCs at INDATEC/Industria de aplicacoes tecnico-



domesticas Ltd. in Mozambique (MOZ/REF/18/INV/04) (UNIDO); noting that US\$ 334,113 of US \$581,515 approved for the project was disbursed before cancellation;

- (x) Conversion of commercial refrigeration equipment to phase out CFC-12, HCFC-502 and CFC-11 at Technofrig S.A. in Romania (ROM/REF/19/INV/08) (UNIDO); noting that 6.9 ODP tonnes was phased out and that US \$42,024 of US \$297,768 was disbursed before cancellation;
- (xi) Phasing out CFC-11 at Go-Ya Sungar Ltd. Sti. in Turkey (TUR/FOA/23/INV/31) (UNIDO); noting that US \$219,771 of US \$533,400 approved for the project was disbursed before cancellation;
- (xii) Conversion from CFC-11 to HCFC-141b technology in the manufacture of rigid polyurethane foam at Grupo ACO in Brazil (BRA/FOA/34/INV/236) (UNDP); noting that US \$174,139 was approved for the project to phase out 22 ODP tonnes;
- (xiii) Conversion from CFC-11 to HCFC-141b in the manufacture of rigid polyurethane foam for truck bodies and panels at 9 enterprises (ABC Furgoes, Fricam Refri, Junges, Rafaeli, Refri Santos, Rondofrio, Tresmaiese, Trevosul Refrig, Verde Lago Furgoes) in Brazil (BRA/FOA/34/INV/235) (UNDP); noting that the level of ODS impact for the project should be adjusted from 72.1 ODP tonnes to 65.3 ODP tonnes and the funding from US \$450,479 to US \$409,158 with associated support costs to reflect the cancellation of Rondofrio;
- (h) Request the Secretariat to prepare a working paper on how to deal with project cancellations in an overall, strategic manner in light of country compliance rather than on a case-by-case basis;
- (i) Note that actual ODS phase-out from cancelled projects should be recorded, and request the Secretariat to provide options on how that could be achieved.

## **AGENDA ITEM 8: PROGRESS REPORTS AS AT 31 DECEMBER 2001**

### **(a) Consolidated progress report**

22. The Sub-Committee considered the 2001 consolidated progress report of the Multilateral Fund (UNEP/OzL.Pro/ExCom/37/11), which was presented by the Secretariat. The document summarized the progress made and provided financial information on the implementation of projects and activities supported by the Fund up to December 2001. The Secretariat reported that there had been progress in reconciling the differences between the Accounts of the Fund and the implementing agencies' progress reports. The Secretariat noted that the majority of the differences had resulted from the treatment of promissory notes being held by the implementing

agencies and the accounting for sums which were authorized as of 31 December 2001 but had only been disbursed in 2002. The Secretariat also reported that there had been a cumulative average delay increase in investment projects.

23. A number of representatives expressed their appreciation to the Secretariat for the strategic overview, the summary of the consolidated progress report provided, and its implementation of Decision 36/14(b) to monitor projects that were removed from the list of projects with implementation delays, and asked that the implementing agencies be given the opportunity to elaborate on some of the reasons for the increase in project delays. Among the reasons given were: unfavourable economic conditions, the increased number of smaller countries being supported, the greater complexity of projects, the increased need for coordination between local agencies, and unrealistic target setting. Some representatives noted that these delays could cause countries to not be in compliance of their obligations and that there was a linkage between the increase in delays and the increase in the number of cancelled projects. Bearing in mind these proposals, the Sub-Committee recommended that the Executive Committee:

- (a) Note with appreciation the Consolidated Progress Report of the Multilateral Fund as contained in UNEP/OzL.Pro/ExCom/37/11;
- (b) Request the Treasurer, the implementing agencies and the Secretariat to provide a full reconciliation of the Accounts of the Fund and the progress reports to the 38<sup>th</sup> Meeting of the Executive Committee;
- (c) Continue to monitor training, recovery and recycling, and halon banking projects, and provide details to the Sub-Committee on those projects where delays would affect the ability of a country to comply with its obligations under the Montreal Protocol, or where delays were particularly severe.

**(b) Bilateral cooperation**

24. The Sub-Committee considered the progress report on bilateral cooperation for the year 2001 (UNEP/OzL.Pro/ExCom/37/12 and Add.1), which was presented by the Secretariat.

25. Having noted that twelve Governments had responded with information on activities implemented up to 31 December 2001 and after consideration of progress reports that were not submitted by one bilateral agency with an ongoing project, data inconsistencies, and the conditions of approval of some projects in the bilateral progress reports, the Sub-Committee recommended that the Executive Committee:

- (a) Note with appreciation the progress reports submitted by the Governments of Australia, Belgium, Canada, Finland, France, Germany, Italy, Japan, Sweden, Switzerland and the United Kingdom;
- (b) Request the Government of Poland to provide its progress report to the 38<sup>th</sup> Meeting of the Executive Committee in the context of projects with implementation delays;

- (c) Request the Governments of Belgium, France, and Germany to provide reports on the projects with implementation delays to the 38<sup>th</sup> Meeting of the Executive Committee;
- (d) Request bilateral agencies to verify their data against the Inventory of Approved Projects before submitting their progress reports;
- (e) Request the Government of Germany to clarify in a report to the 38<sup>th</sup> Meeting in the context of projects with implementation delays the apparent project overrun in the two methyl bromide projects in Egypt (EGY/FUM/25/PRP/68 – an overrun of US \$89 and EGY/FUM/26/DEM/70 – an overrun of US \$1,500) and the condition of approval for Egypt's (EGY/REF/29/TAS/75) and Syria's national recovery and recycling projects (SYR/REF/30/TAS/59).

(c) **UNDP**

26. The representative of UNDP presented the agency's progress report on activities up to 31 December 2001 (UNEP/OzL.Pro/ExCom/37/13). She reported to the Sub-Committee on the three projects for individual consideration, as well as on the foam projects in Morocco, regarding which all problems were expected to be solved by the end of 2002. In relation to apparent overruns, the UNDP representative explained that most such reported overruns were minimal amounts generated by accounting errors, and would be corrected. Differences with the Inventory of Approved Projects were also being dealt with. Finally, the UNDP representative touched on difficulties implementing multiple year projects in some countries.

27. After some discussion of multiple year agreements as they related to replenishment considerations, implementation delays, and the potential effect of such delays on country compliance; of the benefits of considering a rule of practice for all implementing agencies to handle non-compliance with multiple year projects; and on the need to encourage implementing agencies to coordinate their multiple year projects to establish a similar phase-out pace in countries with a high degree of economic interdependence; the Sub-Committee recommended that the Executive Committee:

- (a) Note UNDP's progress report contained in (UNEP/OzL.Pro/ExCom/37/13);
- (b) Note that through May 2001, UNDP had 259 projects that it had classified as completed for over one year with remaining balances totalling US \$3,952,495;
- (c) Note that UNDP would report to the 38<sup>th</sup> Meeting on up to 79 projects with implementation delays including 28 projects that were so classified last year;
- (d) Continue to monitor the project "Conversion from CFC-11 to LIA technology in the manufacture of flexible polyurethane boxfoam" at two Argentinean enterprises: La Cardeuse and Jovis in Argentina (ARG/FOA/31/INV/111); and returning the balances corresponding to two bankrupt companies to the Multilateral Fund;

- (e) Cancel the project “Phase-out of CFC-11 and CFC-12 by conversion to HCFC-141b and HFC-134a, respectively in the manufacture of commercial refrigeration equipment at Quena S.A.” in Costa Rica (COS/REF/27/INV/20);
- (f) Cancel the project “Elimination of CFCs 11 and 12 in the manufacture of domestic freezers at JILIN JINOUEER Electric Appliances Group Co.” in China (CPR/REF/23/INV/225);
- (g) Reimburse US \$105,826 to UNDP for project balances that had been returned by UNDP but against which disbursements were charged. In so doing, the Executive Committee may wish to note the inaccurate data reporting from UNDP. It might also note that UNDP would be further modifying its reported disbursements for projects contained in its progress report for US \$245,899 that was incorrectly assigned to the wrong project accounts that resulted in apparent project overruns which did not exist;
- (h) Note the phase-out target for the China solvent sector phase-out plan had been achieved through the implementation of previously approved projects;
- (i) Note that the agreements for the Chilean methyl bromide phase-out project (CHI/FUM/32/INV/143), and Peru’s methyl bromide phase-out project were back on track, and that the agreement for Costa Rica’s methyl bromide project had not been signed.

**(d) UNEP**

28. After a presentation by the representative of UNEP of UNEP’s progress report on activities up to 31 December 2001 (UNEP/OzL.Pro/ExCom/37/14), the Sub-Committee recommended that the Executive Committee:

- (a) Note UNEP’s progress report contained in document UNEP/OzL.Pro/ExCom/37/14;
- (b) Request UNEP to provide additional status reports to the 38<sup>th</sup> Meeting of the Executive Committee on the institutional strengthening projects with slow implementation in: Bahamas, Botswana, Cameroon, Central African Republic, Congo DR, Dominica, Grenada, Lesotho, Mozambique, Papua New Guinea, Samoa, St. Kitts and Nevis, St. Vincent and the Grenadines, and Tanzania. In addition, note with concern that institutional strengthening projects in the following countries are classified for the second year with slow implementation: Central African Republic, Dominica, Mozambique, St. Vincent, and Tanzania and for the third year for Bahamas, Botswana, Papua New Guinea, and St. Kitts and Nevis;
- (c) Note that through May 2001, UNEP had 16 projects that it had classified as completed for over one year with remaining balances totalling US \$323,040;

- (d) Note that UNEP has 24 projects classified with implementation delays, including 16 projects that were so classified last year, and that a report on these projects should be submitted to the 38<sup>th</sup> Meeting;
- (e) Cancel the project “Development of a halon bank for five Latin American countries” (LAC/HAL/26/TAS/28), and request that a new project should be submitted in accordance with the established precedents for regional halon banking projects;
- (f) Note that the project “Update Technology Sourcebooks and quality review updated material” (GLO/SEV/16/TAS/76) would be printed in September 2002;
- (g) Note that the project “Training modules on management of ODS phase-out in SMEs” (GLO/SEV/19/TAS/112) would be completed in June 2003 as planned, in accordance with Decision 34/3(i);
- (h) Note that the project “Develop fact sheet describing win-win technology options relative to Kyoto and Montreal Protocols” (GLO/SEV/27/TAS/182) had already been printed.

**(e) UNIDO**

29. The representative of UNIDO presented UNIDO’s progress report on activities up to 31 December 2001 (UNEP/OzL.Pro/ExCom/37/15).

30. After some discussion on the possible project cancellation for the Bole Electric Appliances Group refrigeration project in China (CPR/REF/23/INV/222) and the Friobox rigid foam project in Venezuela (VEN/FOA/31/INV/83) and appropriate procedures to be followed, the Sub-Committee recommended that the Executive Committee:

- (a) Note UNIDO’s progress report contained in document UNEP/OzL.Pro/ExCom/37/15;
- (b) Request UNIDO to provide an additional status report to the 38<sup>th</sup> Meeting of the Executive Committee on the institutional strengthening project with slow implementation in Yugoslavia, while noting concern that the institutional strengthening project in Yugoslavia was classified for the second year with slow implementation;
- (c) Note that through May 2001, UNIDO had 138 projects that it had classified as completed for over one year with remaining balances totalling US \$4,661,333;
- (d) Note that UNIDO will report on up to 34 projects with implementation delays including 21 projects that were so classified last year to the 38<sup>th</sup> Meeting;
- (e) Note that the procedures for project cancellation should be applied as appropriate to the following projects:

- (i) Phasing out of ODS at the refrigerator plant of Bole Electric Appliances Group in China (CPR/REF/23/INV/222); and
  - (ii) Phasing out of CFC-11 with HCFC-141b at Friobox in the production of rigid P.U. panels in Venezuela (VEN/FOA/31/INV/83);
- (f) Note that the balances returned to the 30<sup>th</sup> Meeting for the following projects were subsequently revised by the data for the same projects presented to the 34<sup>th</sup> Meeting. The Treasurer should revise the amount returned for the following projects with the data provided to the 34<sup>th</sup> Meeting:
- |                   |                    |                   |
|-------------------|--------------------|-------------------|
| BOT/FUM/24/PRP/04 | CMR/FUM/24/PRP/13  | COL/FUM/21/PRP/23 |
| CRO/FUM/24/PRP/07 | DOM/FUM/25/PRP/18  | DRK/FUM/23/PRP/04 |
| IDS/FUM/23/PRP/69 | JAM/FUM/24/PRP/08  | JOR/FUM/23/PRP/36 |
| MDN/FUM/25/PRP/08 | MEX/FUM/22/PRP/58  | THA/FUM/22/PRP/65 |
| TUR/FUM/24/PRP/36 | URU/FUM/24/PRP/26; |                   |
- (g) Note that the balances returned to the 34<sup>th</sup> and 36<sup>th</sup> Meetings for ALG/REF/27/PRP/35 were in error. The Treasurer should adjust the record for the project accordingly. In authorising these adjustments due to errors in reporting by UNIDO, the Executive Committee may wish to note the inaccurate data reporting from UNIDO.

**(f) World Bank**

31. The representative of the World Bank presented the World Bank's progress report on activities up to 31 December 2001 (UNEP/OzL.Pro/ExCom/37/16).

32. After some discussion of apparent project overruns; multiple year performance-based agreements; planned completion dates for three projects (CPR/FOA/29/INV/311, CPR/FOA/29/INV/323 and IDS/FOA/29/INV/115); project implementation delays in Colombia (COL/FOA/29/INV/39); outcome of the May 2002 mission of India Real Value halon project (IND/HAL/18/INV/60); and differences with the Inventory of Approved Projects in completion date, funds approved, and the level of reporting detail to be provided in progress reports, the Sub-Committee recommended that the Executive Committee:

- (a) Note the World Bank's progress report contained in document UNEP/OzL.Pro/ExCom/37/16;
- (b) Request the World Bank to provide a level of information comparable to that provided by the other agencies for its 7 institutional strengthening projects to the 38<sup>th</sup> Meeting in the context of projects with implementation delays;
- (c) Note that through May 2001, the World Bank had 72 projects that it had classified as completed for over one year with remaining balances totalling US \$11,953,777;

- (d) Note that the World Bank will report to the 38<sup>th</sup> Meeting on up to 78 projects with implementation delays including 47 projects that were so classified last year;
- (e) Authorize the World Bank to adjust the budgets for the lines of grants approved at the 7<sup>th</sup> Meeting for Jordan and Tunisia to reflect the level disbursed on a project by project basis;
- (f) Note that an apparent overrun of US \$1,000 for the 50% foam project in China would be addressed in the context of the reconciliation of the Accounts of the Fund and the agencies progress reports;
- (g) Note:
  - (i) That the proposed agreement between the World Bank and the Bahamas had been sent to the Bahamas but had not yet been signed;
  - (ii) That the grant agreement between the World Bank and Malaysia had been signed and that the proposed grant agreement with Thailand was being negotiated;
  - (iii) That the World Bank had disbursed additional funds for the China halon phase-out plan but that it had not indicated the reason for the slow disbursement for China CFC production phase-out plan;
  - (iv) That the objective of the CFC MAC sector phase-out in China in 2001 had been met;
  - (v) That the equipment had been dismantled for one of the two halon production plants in India and that the equipment for the other plant would be dismantled in 2002 but after the agreed July 2002 milestone; and
  - (vi) That all sub-loan agreements for the Thai chiller project had been signed, but the March 2002 milestone had not been met;
- (h) Note that Turkey's 2002 methyl bromide consumption may include consumption for quarantine and pre-shipment and request Turkey to clarify its latest consumption with the Ozone Secretariat and note that this issue will be reviewed at the 38<sup>th</sup> Meeting of the Executive Committee in light of any updated data reported;
  - (i) Comply with future requests from the Secretariat for providing information on such agreements in the context of progress reporting;
  - (j) Request reports to the 38<sup>th</sup> Meeting in the context of implementation delays for the following projects for which the Bank was not able to assess a future completion date: Shenzhou foam project in China (CPR/FOA/29/INV/311) and Handan Huisheng foam project in China (CPR/FOA/29/INV/323) and PT Sentra Sukses Selalu foam project in Indonesia (IDS/FOA/29/INV/115);

- (k) Note that the issue of tax exemption for Multilateral Fund projects implemented by the World Bank in Columbia has been resolved;
- (l) Request the World Bank to report to the 38<sup>th</sup> Meeting of the Executive Committee on the status of the release of funds for the Real Value halon project in India;
- (m) Note the Bank's continued differences regarding basic project data and its efforts to reconcile the data with the Secretariat's Inventory of Approved Projects.

**AGENDA ITEM 9: EVALUATION OF THE IMPLEMENTATION OF THE 2001 BUSINESS PLANS**

33. The Sub-Committee considered the report on evaluation of the implementation of the 2001 business plans (UNEP/OzL.Pro/ExCom/37/17 and Corr.1), which was presented by the Secretariat.

34. After some discussion on implementing agencies' performance against their 2001 business plan performance indicators, in which members welcomed the opportunity to compare the relative performance of the agencies and encouraged the Secretariat to provide information on agencies' achievements in terms of percentages and as trends, the Sub-Committee recommended that the Executive Committee:

- (a) Note the evaluation of the implementing agencies' performance against their 2001 business plans, as contained in UNEP/OzL.Pro/37/17 and Corr.1;
- (b) Decide to consider at a future meeting the possibility of introducing another performance indicator on financial completion by implementing agencies within 12 months after actual project completion, and the impact of withholding funds on agencies' ability to implement newly approved projects in the context of considering the possibility of offsetting balances from projects completed 24 months previously against new project approvals;
- (c) Reiterate with concern that implementing agencies should abide by the requirement to return balances from projects completed over 12 months ago.

**AGENDA ITEM 10: UPDATE REPORT ON THE STATUS OF ARTICLE 5 COUNTRIES IN ACHIEVING COMPLIANCE WITH THE INITIAL CONTROL MEASURES OF THE MONTREAL PROTOCOL**

35. The Sub-Committee considered the updated report on the status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol (UNEP/OzL.Pro/ExCom/37/18 and Corr.1), which was presented by the Secretariat. The document contained two parts: Part I is prepared in response to Decision 32/76(b) and presents a discussion of the methodology followed by analyses of compliance for CFCs, halons, methyl bromide, carbon tetrachloride (CTC) and methyl chloroform (TCA). Part II contains an analysis



of the ODS consumption data by sector presented by Article 5 countries to the Executive Committee on the implementation of their country programmes.

36. After discussion concerning the possible non-compliance with the CFC freeze for the Bahamas; apparent data errors due to the reporting of negative consumption and negative baselines; and the possible non-compliance with methyl bromide freeze for countries that have phase-out agreements with the Executive Committee, and the importance of this updated report for future business planning, the Sub-Committee recommended that the Executive Committee:

- (a) Note with appreciation the update report on the status of Article 5 countries in the new phase of the Executive Committee in achieving compliance with the initial control measures of the Montreal Protocol as contained in UNEP/OzL.Pro/ExCom/37/18 and Corr.1, and request the Secretariat to continue to update this report at subsequent meetings;
- (b) Request the relevant Article 5 countries and implementing and bilateral agencies to use the information contained in this report (UNEP/OzL.Pro/ExCom/37/18 and Corr.1) as a basis for all future business planning;
- (c) Request the Secretariat to write to the Government of the Bahamas for an explanation of the CFC data reported to the Fund Secretariat on the implementation of country programme that exceeds by more than 50% the agreed maximum level of consumption for 2001 per the Bahamas national phase-out agreement;
- (d) Urge Costa Rica, Georgia, Ghana, Lebanon, Malawi, Morocco, Peru, Turkey and Uruguay to expedite the implementation of their phase-out agreements to achieve the freeze in methyl bromide consumption;
- (e) Request Argentina, China, Croatia and Romania to reconsider their CTC data to ensure that CTC for feedstock is not included;
- (f) Note that the negative data for Argentina's halon consumption in 2001 reported to the Fund Secretariat on the implementation of country programme reflected the exportation of halon for this year when no halon was consumed or produced by Argentina;
- (g) Note that there is an error in the Ozone Secretariat data concerning El Salvador's consumption of Methyl Bromide, which was zero ODP tonnes; and
- (h) Note that Syria reported that the Government of Jordan and the Secretariat were discussing Jordan's ongoing consumption data.

## **AGENDA ITEM 11: ADDENDA TO 2002 BUSINESS PLANS**

37. The Sub-Committee considered the addenda to UNDP's 2002 business plan (UNEP/OzL.Pro/ExCom/37/19), UNIDO's 2002 business plan (UNEP/OzL.Pro/ExCom/37/20) and the World Bank's 2002 business plan (UNEP/OzL.Pro/ExCom/37/21) together, following a short presentation by the Secretariat.

38. In discussing the activities included in the addenda and the allocation of funds if activities were not approved, the Sub-Committee noted that, in future, activities in the business plan should be more compliance-oriented.

39. Following the discussion, the Sub-Committee recommended that the Executive Committee:

### **UNDP**

- (a) Endorse the Addendum to UNDP's 2002 Business Plan as contained in UNEP/OzL.Pro/ExCom/37/19 while noting that endorsement did not denote approval of the project identified therein nor its funding level; and
- (b) Note that weighted and un-weighted performance indicators would be revised, as appropriate.

### **UNIDO**

- (a) Endorse the Addendum to UNIDO's 2002 Business Plan as contained in UNEP/OzL.Pro/ExCom/37/20 while noting that endorsement did not denote approval of the activities identified therein nor their funding levels; and
- (b) Note that weighted and un-weighted performance indicators would be revised, as appropriate.

### **World Bank**

- (a) Endorse the Addendum to the World Bank's 2002 Business Plan as contained in UNEP/OzL.Pro/ExCom/37/21 while noting that endorsement did not denote approval of the activities identified therein nor their funding levels; and
- (b) Note that weighted and un-weighted performance indicators would be revised, as appropriate.

## **AGENDA ITEM 12: OTHER MATTERS**

40. There were no matters discussed under this agenda item.

**AGENDA ITEM 13: ADOPTION OF THE REPORT OF THE SUB-COMMITTEE**

41. The Sub-Committee adopted the present report on the basis of the draft report contained in documents UNEP/OzL.Pro/ExCom/SCMEF/17/L.1 and Add.1.

**AGENDA ITEM 14: CLOSURE OF THE MEETING**

42. The Chairman declared the meeting closed at 6:40 p.m. on Tuesday, 16 July 2002.

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