



**United Nations  
Environment  
Programme**

Distr.  
LIMITED

UNEP/OzL.Pro/ExCom/42/2  
3 March 2004

ORIGINAL: ENGLISH



---

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-second Meeting  
Montreal, 29 March - 2 April 2004

**SECRETARIAT ACTIVITIES**

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

## **Notification of the Decisions of the 41st Meeting of the Executive Committee**

1. The report of the 41<sup>st</sup> Meeting, containing the decisions of the Executive Committee, was communicated to all Executive Committee members and other participants of the 41st Meeting. Additionally, decisions related to project approvals were communicated to the relevant Article 5 countries, and to bilateral and implementing agencies. A post-meeting document summarizing decisions made at the 41st meeting was sent to all meeting participants and Regional Network Officers of UNEP's Compliance Assistance Programme (CAP), and placed on the Secretariat's web site. A press release was also issued.
2. Decisions requesting certain action by the Secretariat and/or implementing agencies were addressed or communicated as directed by the Committee.
3. The Secretariat instructed the Treasurer to transfer resources covering all funding requests approved at the 41st meeting to the implementing agencies, and/or to credit them as bilateral contributions of the relevant non-Article 5 Parties.

## **Review of submissions to the 42<sup>nd</sup> Meeting**

4. The Secretariat has undertaken the following tasks in preparation for the 42<sup>nd</sup> Meeting:

### Financial Planning

5. The Secretariat examined funding allocations for the remainder of the 2003-2005 triennium and made proposals on total resource allocations for 2004 and 2005, and how window projects can be accommodated in the 2004-2006 business plan. The Secretariat also indicated the allocations made to the implementing agencies in light of their forward commitments. In particular the Secretariat examined the 2004 and 2005 allocations for bilateral agencies in view of the bilateral approvals in 2003.

### Three-year phase-out plan 2004-2006

6. The Secretariat prepared a status report on the process in implementing the Fund's three-year model phase-out plan up to the time of the 41<sup>st</sup> Meeting.

### Monitoring and Evaluation

7. The Senior Monitoring and Evaluation Officer prepared reports on the intermediate evaluation of CFC production sector phase-out agreements and the solvent sector phase-out plan in China. These documents are being submitted to the 42<sup>nd</sup> Meeting of the Executive Committee

## **Project Review**

8. The Secretariat reviewed 98 projects and activities from 54 countries to phase out a total of 12,763 ODP tonnes of controlled substances in the consumption sector and over 8,537 tonnes for

CTC and CFC production in China, Democratic People's Republic of Korea, India, and Mexico. In addition, two country programmes updates (Korea DPR and Mongolia) were reviewed.

### **Reconciliation of 2002 accounts of the Multilateral Fund (follow-up to Decision 41/10 (b))**

9. In response to Decision 41/10, the Secretariat reviewed adjustments for UNEP and UNIDO and made proposals for addressing the issues related to the start-up costs of UNDP and the differences between the Secretariat's inventory of approved projects and the World Bank's 2002 progress report.

10. Resolution of the adjustments for UNEP and UNIDO are pending receipt of information from the Treasurer. Resolution of the 2002 accounts of UNDP and the World Bank is pending the completion of the UNDP's Comptroller's review and the submission of audited 2001 and 2002 accounts from the World Bank.

### **Treasury Issues**

11. The Secretariat re-submitted a draft agreement to UNEP reflecting the Executive Committee decision on a fixed fee for 5 years and taking into account feedback from UNEP on the previous draft. The Secretariat requested UNEP to substantiate its fees and clarify the need for additional support staff. The new agreement will be submitted to the Executive Committee in document UNEP/OzL.Pro/ExCom/42/47.

12. At the 41<sup>st</sup> meeting, the Executive Committee had requested the Treasurer to provide a report to the 42<sup>nd</sup> Meeting of the Executive Committee on the historical use of promissory notes and to report on rules and/or systems for the transparent and equitable encashment of promissory notes used in other forums. In order to expedite the preparation of a document for the 42<sup>nd</sup> Meeting, the Secretariat drafted an outline of the paper and provided the Treasurer with background documents.

### **Programme Support costs**

13. In response to Decision 41/9, the Secretariat requested information from all contributing Parties that have had bilateral cooperation activities on the applicability of the current administrative cost regime established by Decision 38/68 to bilateral agencies, and the accuracy of the historical data on bilateral cooperation support costs. The Secretariat compiled historical data of the rates of programme support costs of the bilateral cooperation projects including the views of the bilateral agencies on the applicability of Decision 38/68 to bilateral agencies.

### **Production Sector**

14. The Secretariat received a request from the Government of Romania for a technical audit of three ODS plants in Romania, one each in the CFC, CTC and methyl-bromide sectors. The

Secretariat requested Romania to submit the preliminary data on these ODS producing plants with a draft schedule for phase-out of their production.

### **Completed projects with balances**

15. At its 40<sup>th</sup> Meeting, the Executive Committee decided that issues such as return of balances from cancelled or completed projects, and other such routine activities as the Executive Committee might decide, should be handled administratively between the Secretariat and responsible implementing agencies with appropriate reports, including audited financial reports, to the Executive Committee (Decision 40/52(b)).

16. For the purpose of tracking the return of funds and good financial order, the Executive Committee may wish to continue to note these financial adjustments in its meeting reports. These notations and occasional adjustments facilitate the annual reconciliation of accounts required pursuant to Decision 38/9.

17. Annex I presents specific information to substantiate the recommendations provided in this document.

18. The submissions of the implementing agencies are available upon request.

### **Documents and policy papers prepared by the Fund Secretariat**

19. Of the documents submitted for consideration at the 42<sup>nd</sup> Meeting, the following were prepared by the Fund Secretariat:

- (i) Provisional agenda and annotated agenda of the Executive Committee
- (ii) Secretariat activities
- (iii) Financial planning (including the funding window and status of forward commitments)
- (iv) Three-year phase-out plan 2004-2006
- (v) Consolidated 2004-2006 business plan of the Multilateral Fund
- (vi) Report on the intermediate evaluation of CFC production sector phase-out agreements
- (vii) Report on the intermediate evaluation of the solvent sector phase-out plan in China
- (viii) Report on implementation of approved projects with specific reporting requirements

- (ix) Project implementation delays
- (x) Overview of issues identified during project review
- (xi) Bilateral cooperation
- (xii) Comments and recommendations the 2004 work programmes of UNDP, UNIDO and the World Bank
- (xiii) Comments and recommendations on the 2004 work programme amendment of UNEP
- (xiv) Investment projects for individual consideration
- (xv) Project evaluation sheets and comments and recommendations on all the projects and activities submitted to the 42<sup>nd</sup> Meeting
- (xvi) Reconciliation of 2002 Accounts of The Multilateral Fund (follow-up to Decision 41/10 (b))
- (xvii) Report on programme support costs of bilateral cooperation projects
- (xviii) Comments on the country programmes updates of Korea D.P.R. and Mongolia
- (xix) Terms of reference of the Executive Committee: (follow-up to Decision 41/1)

### **Meetings attended and missions undertaken**

#### Chief Officer's missions

##### *Buenos Aires, Argentina (4-5 March 2004)*

20. At the invitation of the Ozone Secretariat, the Chief Officer and a Senior Programme Officer visited Buenos Aires (Argentina) (4-5 March 2004 for an informal consultation on critical -use nominations of methyl bromide in preparation for the extraordinary Meeting of the Parties held from 24 to 26 March 2004 (Decision XV/56) and also to have the opportunity to discuss with the Chair of the Executive Committee, any issues in preparation for the 42<sup>nd</sup> Meeting of the Committee.

##### *Cairo, Egypt (12-14 March 2004)*

21. The Chief Officer and Executive Assistant visited Cairo, Egypt to be briefed by Dr. Omar El Arini, Honorary Chief Officer of the Multilateral Fund, and to meet with the Egyptian Minister of the Environment.

*Nairobi, Kenya (16-19<sup>h</sup> March)*

22. The Chief Officer travelled onwards to Nairobi where she was joined by the Administrative and Fund Management Officer for discussions with UNON on treasury issues and to meet the UNEP Executive Director, the Deputy Executive Director and other UNEP and UNON senior officials

#### Missions of other staff

23. In January 2004 The Deputy Chief Officer (Economic Cooperation) and the Senior Monitoring and Evaluation Officer undertook missions to China, Korea DPR (Deputy Chief Officer only) and India (Senior Monitoring and Evaluation Officer only). The Secretariat staff coordinated evaluation activities for the CFC Production Sector in China, India, DPR Korea and the Solvent Sector in China. Information for the evaluation reports was collected.

24. A Senior Project Management Officer traveled to San Jose, Costa Rica (19-20 January 2004) to serve as a resource person for the meeting of the Steering Panel for the Evaluation of the Financial Mechanism. The officer provided the Consultant charged with the study, with data on the reports of all of the Executive Committee meetings and the policy and guidelines document and interacted with the Panel on questions about the operation of the Multilateral Fund.

25. A Senior Project Management Officer traveled to Casablanca, Morocco (8-10 March 2004) to hold discussions on four projects concerning the conversion of foam enterprises to liquid carbon dioxide (LCD) technology. Discussions took place between the Secretariat, UNDP and UNOPS, the Ministry of Commerce, Industry and Communications and the foam companies to refine the terms of an agreement under which the companies concerned would convert successfully to LCD technology. UNDP will report the details of the agreement to complete the LCD projects to the 42<sup>nd</sup> Meeting

#### Coordination Meeting

26. The implementing agencies and the Fund Secretariat held an Inter-Agency Coordination Meeting on 5-6 February 2004. The meeting focussed on the outcome and decisions of the 41<sup>st</sup> Meeting of the Executive Committee and the 15th Meeting of the Parties, their implications for the Fund's financial planning and agency resource allocation including the window for accelerated phase-out/maintaining momentum. 2004 business plans, agency work programmes and options for resource allocation in 2006, were also considered. The Chief Officer also briefed agencies on the organization of the 42<sup>nd</sup> Meeting in view of the elimination of the two sub-committees.

## **Secretariat Staffing**

27. Ms. Maria Nolan took up her position as Chief Officer on February 1 2004.

28. The Senior Project Management Officer, who was due to retire in January 2004, was granted an extension of his contract until April 2004. His post was advertised at the end of 2003 and following a review of applications, interviews for the Senior Project Management position were held in February. The Secretariat plans to forward the name of the selected candidate to UNEP before the 42<sup>nd</sup> meeting.

## **Preparation for the meetings of the Executive Committee**

29. Logistical arrangements were made for the meetings of the Executive Committee, to be held at the International Civil Aviation Organization (ICAO) from 29 March to 2 April 2004. Letters of invitation and meeting documentation were dispatched to members of the Executive Committee, the President of the Bureau of the 15<sup>th</sup> Meeting of the Parties, the President and Vice President of the Implementation Committee, the Executive Director of UNEP, the Executive Secretary of the Ozone Secretariat, the Implementing Agencies, the Treasurer and NGOs.

## **Preparation for other meetings**

30. The Fund Secretariat provided logistical support to the Ozone Secretariat in organizing the Extraordinary Meeting of the Parties held in Montreal (Canada) from 24 to 26 March 2004.

## **Review and update of information resources and operational guidelines by the Fund Secretariat**

31. The Fund Secretariat reviewed and updated the following databases, documents and operational guidelines:

- Inventory of Approved Projects as of December 2003
- Policies, Procedures, Guidelines and Criteria as of December 2003
- Country Programme Summary Sheets as of December 2003
- Project Completion Reports Summary Sheets

32. Following the 41st Meeting, the Multilateral Fund web site has been moved to a new server and additional content is being incorporated. The web site will be released in March in time for the 42<sup>nd</sup> meeting. Meeting documents for the 42<sup>nd</sup> were posted on the Secretariat web site ([www.unmfs.org](http://www.unmfs.org)). Meeting documents for the 40<sup>th</sup>, 41<sup>st</sup> and 42<sup>nd</sup> meetings have been added to the intranet. Executive Committee members and Implementing Agencies were provided with usernames and passwords prior to the meeting in order to try out the new system.

## RECOMMENDATIONS

The Executive Committee may wish to consider:

1. Noting the report on Secretariat Activities including the report on project balances contained in UNEP/OzL.Pro/ExCom/42/2.
2. Noting the levels of funds being returned to the 42<sup>nd</sup> Meeting against project balances totalling US \$2,574,926 (UNDP--US \$526,643 including reimbursement of funds previously returned in error for two projects by UNDP; UNIDO--US \$1,048,283; and the World Bank--US \$1,000,000), and additionally the return of support costs totalling US \$280,891 (UNDP--US \$68,463 including reimbursement of support costs previously returned in error for two projects by UNDP; UNIDO--US \$117,428; and the World Bank--US \$95,000).
3. Noting that implementing agencies had balances totalling US \$513,207 excluding support costs from projects completed over two years ago: UNDP (US \$388,882 plus support costs); UNEP (US \$33,857 plus support costs); and the World Bank (US \$90,468 plus support costs).



## Annex I

### FINANCIAL ADJUSTMENTS

1. This annex presents a summary of the financial adjustments indicated by the implementing agencies and agreed by the Fund Secretariat along with statistical data in Annex I required for projects with balances held over 12 months after project completion as required by Decision 28/7 based on the reporting format developed pursuant to Decision 31/2. The document also addresses Decisions 35/13(k) and 37/7(e) concerning the return of support costs from projects with savings and cancelled projects.

#### Funds being Returned to the 42<sup>nd</sup> Meeting

2. The implementing agencies have indicated that they will be returning a total of US \$2,574,926 to the 42<sup>nd</sup> Meeting. This sum arises from completed projects with balances, un-obligated funds from cancelled projects, and other adjustments.

3. Table 1 indicates the level of funds being returned by agency.

Table 1

#### FUNDS RETURNED TO THE 42<sup>ND</sup> MEETING (US\$)

Agency	Funds from Completed Projects	Funds from Cancelled Projects	Funds from Ongoing Projects	Adjustments	Total Funds to be Returned to the 42 <sup>nd</sup> Meeting
UNDP	250,495	288,626	3,603	(16,081)	526,643
UNEP	0	0	0	0	0
UNIDO	866,412	181,871	0	0	1,048,283
World Bank	0	0	1,000,000	0	1,000,000
<b>TOTAL</b>	<b>1,116,907</b>	<b>470,497</b>	<b>1,003,603</b>	<b>(16,081)</b>	<b>2,574,926</b>

4. UNDP is requesting recovery of funds for two foam projects in China due to the inadvertent return of balances at the 41<sup>st</sup> Meeting of the Executive Committee: CPR/FOA/29/INV/325 (US \$212) and CPR/FOA/29/INV/328 (US \$15,869).

#### Projects with Balances by the Year the Project was Completed

5. Table 2 indicates the number of projects with balances that are still being held by the implementing agencies, and the years that they were completed.

Table 2

**BALANCES HELD BY YEAR OF PROJECT COMPLETION**

Year Completed	Number of Projects and Amount of Balances by Agency									
	UNDP		UNEP		UNIDO		World Bank		TOTAL	
	Number	US \$	Number	US \$	Number	US \$	Number	US \$	Number	US \$
1996	1	6,999	0	0	0	0	0	0	1	6,999
1997	0	0	0	0	0	0	0	0	0	0
1998	2	12,436	0	0	0	0	0	0	2	12,436
1999	20	97,498	2	7,103	0	0	1	90,468	23	195,069
2000	28	271,949	2	26,754	0	0	0	0	30	298,703
<b>Projects completed over 2 years</b>	<b>51</b>	<b>388,882</b>	<b>4</b>	<b>33,857</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>90,468</b>	<b>56</b>	<b>513,207</b>
2001	80	712,909	3	32,089	0	0	1	194,949	84	939,947
2002	73	2,486,974	11	402,895	13	208,910	20	11,387,444	117	14,486,223
<b>TOTAL</b>	<b>204</b>	<b>3,588,765</b>	<b>18</b>	<b>468,841</b>	<b>13</b>	<b>208,910</b>	<b>22</b>	<b>11,672,861*</b>	<b>257</b>	<b>15,939,377</b>

\* Including obligated balances of US \$10,441,110 from six tranches of sector/national ODS phase-out plans

6. Table 2 shows that implementing agencies had balances totalling US \$15,939,377 for projects completed 12 months previously. There were 56 projects with balances from projects completed over 2 years previously totalling US \$513,207.

**Obligated and Un-obligated Balances**

7. The amounts of balances classified as obligated and un-obligated are as follows for the four implementing agencies:

Table 3

**OBLIGATED AND UN-OBLIGATED BALANCES BY AGENCY**

Agency	Obligated Balances	Un-obligated Balances
UNDP*	3,781,178	0
UNEP	433,805	35,036
UNIDO**	156,948	165,223
World Bank***	11,594,025	78,836
<b>TOTAL</b>	<b>15,965,956</b>	<b>279,095</b>

\*Includes obligated balances of US \$192,413 for cancelled projects.

\*\*Includes un-obligated balances of US \$113,261 for cancelled projects.

\*\*\*Includes obligated balances of US \$10,441,110 from six tranches of sector/national ODS phase-out plans

**Agency Support Costs**

8. At its 35<sup>th</sup> Meeting, the Executive Committee decided to request implementing agencies to return all agency support costs associated with remaining funds from projects, and if expenditures had been incurred from this cost, the implementing agencies should provide an

explanation and return the balance of funds (Decision 35/13(k)). The following table presents the level of agency support costs being returned to the 41<sup>st</sup> Meeting.

Table 4

**ADMINISTRATIVE SUPPORT COSTS RETURNED TO THE 42<sup>ND</sup> MEETING (US\$)**

<b>Agency</b>	<b>Funds from Completed Projects</b>	<b>Funds from Cancelled Projects</b>	<b>Funds from Ongoing Projects</b>	<b>Adjustments</b>	<b>Total Funds to be Returned to the 42<sup>nd</sup> Meeting</b>
UNDP	32,565	37,521	468	(2,091)	68,463
UNEP	0	0	0	0	0
UNIDO	97,422	20,006	0	0	117,428
World Bank	0	95,000	0	0	95,000
<b>TOTAL</b>	<b>129,987</b>	<b>152,527</b>	<b>468</b>	<b>(2,091)</b>	<b>280,891</b>

9. UNDP is requesting reimbursement for support costs of US \$2,091 for the two projects mentioned in para. 4.

-----



