



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/40/48
26 June 2003

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fortieth Meeting
Montreal, 16 -18 July 2003

**WORK OF THE SUB-COMMITTEES ON MONITORING, EVALUATION AND
FINANCE AND PROJECT REVIEW (DECISION 39/2)**

Introduction

1. At its 37th Meeting, following a discussion on the “Work of the Executive Committee” as part of the actions to implement the framework for the strategic planning of the Multilateral Fund, the Executive Committee in its Decision 37/69, requested the Secretariat to prepare proposals for consideration at the 39th Meeting on how to re-organize the work of the Sub-Committee on Project Review and the Sub-Committee on Monitoring, Evaluation and Finance for the monitoring of national phase-out plans and ensuring compliance through those plans. At its 39th Meeting, following consideration of the Secretariat’s activities, the Executive Committee in its Decision 39/2 (c) requested the Secretariat to submit the document containing the proposals to the 40th Meeting indicating that Parties wishing to provide input should do so by 18 April 2003 so that their comments could be incorporated in the draft document. During the discussion on the work of the Executive Committee there was a broad recognition that in view of the fact that the Multilateral Fund was entering a new era, with a more strategic approach and a focus on compliance, changes in the work of the Executive Committee would be necessary.

2. Among its functions the Executive Committee is mandated to:

- Develop and monitor the implementation of specific operational policies, guidelines and administrative arrangements, including the disbursement of resources;
- Develop the plan and budget for the Multilateral Fund, including allocation of Multilateral Fund resources among the implementing agencies;
- Develop the criteria for project eligibility and guidelines for the implementation of activities supported by the Multilateral Fund;
- Review regularly the performance reports on the implementation of activities supported by the Multilateral Fund.

3. In carrying out its functions the Committee was guided, inter alia, by an Indicative List of Categories of Incremental Costs adopted by the Parties to the Montreal Protocol, a novel framework funding guide that required further development by the Committee to make it operational by transforming it into guidelines and criteria that meet the needs that the level of scrutiny of grant funding requires.

Operation of the Executive Committee

4. At the operational level, the functions of the Committee are carried out mainly through its meetings with the support of the Secretariat which does all the background work and provides all the necessary documentation required for the work of the Committee. Initially, all issues and requests that came forward to the Committee were handled by the whole Committee. However, as the work of the Committee unfolded issues that lent themselves to different interpretations of the funding guide became more frequent while at the same time the Committee was faced in several instances with the need to make choices among several options for addressing a given problem and consensus was on many occasions difficult to reach, thus bogging down the work of the Committee, and on many occasions only a resort to small group discussions saved the situation. As the volume of work of the Committee increased it became apparent that in order to manage its time more efficiently, there would be need for a “standing” working group to deal

with issues that could potentially stand in the way of consensus. Thus it became expedient to establish a project review sub-group, initially as an informal working group and subsequently as a formal sub-committee when the usefulness of the sub-group became obvious. The success of the Project Review Sub-Committee in facilitating resolution of technical and policy issues associated with funding requests led the Executive Committee to transform the existing financial matters sub-committee which had met on needs basis, into another “standing” sub-committee, the Monitoring, Evaluation and Finance sub-committee. The functions of these two sub-committees have evolved over time and helped in a considerable measure to facilitate the work of the Committee and enhanced its efficiency in project delivery and monitoring of implementation as well as resource tracking and management. At each meeting, the two sub-committees deal with issues on the agenda within their areas of competence and make recommendations to the plenary of the Committee.

5. Traditionally, the Executive Committee meets three times a year. The first two days are taken up by sub-committees who meet to discuss the agenda items assigned to them and make recommendations to the full Committee. On the basis of the division of its work between the two sub-committees, the agenda of the Executive Committee meetings have over the years mainly been structured as follows:

(a) Monitoring, Evaluation and Finance Sub-Committee (two days concurrent)

- Financial planning (three year plan and budget);
- Business plans of implementing agencies;
- Monitoring and Evaluation issues;
- Project implementation issues:
 - Progress reports of the implementing agencies;
 - Project implementation delays;
 - Project cancellations and request for return of funds;
 - Completed projects with balances;
- Budget of the Fund Secretariat.

(b) Project Review Sub-Committee (two days concurrent)

- Work programmes of implementing agencies;
- Investment and non-investment projects:
 - Individual projects;
 - Multi-year plans and annual implementation programmes;
- Project related policy issues.

(c) Plenary (Executive Committee Meeting) (three days)

- Approval of recommendations from the two sub-committees;
- Multilateral Fund related issues:
 - Contributions to the Fund and related issues;
 - Secretariat’s activities;
- Country programmes;

- Production sector issues (related to only 7 out of the 138 Article 5 countries, namely Argentina, Brazil, China, India, Democratic People's Republic of Korea, Mexico, Romania and Venezuela);
- Policy issues;
- Occasional matters of policy;
- Annual reports to the Parties.

Developments and trends in the work of the Executive Committee

6. In view of the novelty of the financial mechanism with its concept of funding based on agreed incremental costs the need for policies and guidelines to guide beneficiary parties and implementing agencies became paramount from the beginning of the work of the Executive Committee. Very often a project submitted by an implementing agency raised a technical issue which however had policy implications with regard to the interpretation of the criteria of eligibility as embodied in the indicative list. In such circumstances, especially when the Secretariat of the Multilateral Fund and a given implementing agency could not reach agreement, particularly on generic technical issues with policy implications, a policy review resulting in development of guidelines ensued. As a result, over the years, a plethora of policies, guidelines and criteria have been developed culminating in the decision on the framework for strategic planning. As a consequence, the project approval process, the key aspect of the Committee's work has become much more routine and less time consuming.

7. The Executive Committee has so far funded projects covering consumption and production, as relevant, of all controlled substances (except HCFCs). The latest progress report indicates that about US \$1.3 billion (excluding agency support cost) has been approved through 2002 to phase out 227,318 ODP tonnes out of which 180,013 ODP tonnes has been phased out, representing about 80 per cent phase-out of the total approval. Funding of some sectors such as aerosol, foam and to some extent the manufacturing sub-sector of refrigeration is nearly complete and what is left to be funded in most of the remaining countries is likely to be funded as part of multi-year plans. Thus, presentation of requests for funding for the major consumption sectors based on individual projects with discrete but serious technical and policy issues would be of little significance freeing up of the time of the Project Review Sub-Committee and by implication that of the full Committee. Such a trend in the work of the Committee and its Sub-Committees is indeed beginning to manifest itself.

8. Within the context of achieving compliance with one or more control measures of the Montreal Protocol, the Executive Committee has also approved 33 multiple-year agreements. With the adoption of the framework for strategic planning the trend in approvals and by implication in the work of the Committee and its Sub-Committees would lead to preponderance of these performance-based activities over individual investment projects. However, with the experience so far gained from 33 plans already approved and being implemented the discussion and approval of future plans are likely to be much more business-like and expeditious.

9. There is a general feeling that even within the new strategic framework, although the agenda of the Executive Committee would remain the same, the volume or depth of work of the two "standing" sub-committees as well as the plenary sessions of the Committee itself are likely

to experience changes. According to the current division of work between the two sub-committees, the Monitoring, Evaluation and Finance Sub-Committee is likely to see its agenda increasingly occupied by the review of annual performance of the multi-year plans (currently performed by the Project Review Sub-Committee), in addition to the current list of items while the cardinal role of the Project Review Sub-Committee as the sole reviewer of projects for funding is likely to progressively diminish. The new additions to the role of the Monitoring, Evaluation and Finance Sub-Committee pose two questions. Firstly, would the Sub-Committee be able to handle the large volume and the complexity of these annual performance reviews under its current operating procedures geared to the monitoring of individual projects? Secondly, should the Sub-Committee conclude its review of these annual performance reports without recommending funding of the next tranche of the annual work programme (based on the funds approved in principle for the phase-out plan)? This is because, although the results of its review form the basis for the funding decision, under its current terms of reference the Sub-Committee does not have the authority to make such funding recommendations as that authority is vested in the Project Review Sub-Committee which reviews the annual work programmes.

10. Currently the review of both the 3-year and annual business plans have been delegated to the Monitoring, Evaluation and Finance Sub-Committee. The technicality of checking the projects being proposed by each implementing agency in their business plans and the need for avoiding duplication has warranted the screening of these plans by a subsidiary body for the benefit of the Executive Committee. However, future business planning process is likely to be less complicated due to the predictable nature of the annual tranches of the multi-year agreements which will be the predominant funding instrument. Nevertheless, in the current trend that a growing share of the Fund resources are either already committed or programmed for multi-year commitments, the challenge for future business/resource planning would be to identify in a timely manner un-incumbered resources from unprogrammed sources or resources released from already programmed activities due to improved planning, and decide on how to allocate such resources in order to meet unplanned needs of countries and/or requests of countries for accelerated phase-out. There is also a need to develop a system to manage the likely overloading of the first meeting of the year with annual funding tranches, and the disbursement sequence. The enhanced policy nature of the business planning process would require a rethinking of its continued handling by a sub-committee.

11. The focus on facilitation of country compliance would also require the Executive Committee to be alert to trends and developments in the implementation of approved activities and its impact on compliance, both fund-wide and at country level. With such overview, policy actions could be initiated well in advance to assist acceleration of country compliance or to proactively assist countries in danger of non-compliance to avoid occurrence of non-compliance. The annual progress reports which should progressively shift from monitoring projects to country performance would be an important tool to provide such global perspective and oversight that the Committee needs. Therefore, due to the strategic importance of the annual progress reports, the Executive Committee may again have to raise the debate on progress reports to the level of the full Committee rather than leave it at a level of a sub-committee as is currently the case.

12. Monitoring of country performance and controlling resource planning would be the tools by which the Executive Committee would be able to exercise its oversight responsibility and take necessary strategic decisions and should therefore, be debated by the entire membership of the Committee. The current tradition of the Executive Committee which makes members of the Sub-Committees refrain from reopening the debate at the plenary sometimes prevents members from fully participating in the debate of any subject already debated at sub-committee level even when the issues involved are of concern to them. Raising the debate of key aspects of the Fund's operations to the level of the full committee would obviate stifling potential contributions of Parties to the Committee's work.

Possible reorganization of the work of the Executive Committee

13. In summary, as the Executive Committee moves toward compliance-oriented approach to its business, and hitherto approval-oriented regime gives way to implementation and performance-oriented regime, the following are likely to occur:

- Financial and business planning as well as review of progress reports will assume greater prominence;
- Multi-year plans and associated annual implementation programmes would require much closer and coordinated monitoring and evaluation (between the Secretariat acting on behalf of the Executive Committee, the implementing agencies and recipient countries) to ensure success;
- With the progress so far achieved some activities which had previously occupied much of the Committees time and attention would become less prominent. These include:
 - Development of policies and guidelines, including specific project-related policies;
 - Review of individual investment projects;
 - Review of work programmes (as currently defined) of implementing agencies;
 - Review and approval of country programmes;
 - Review and approval of activities in the production sector;
- While monitoring of progress would be made easier due to annual compulsory performance reports under multi-year agreements, the level and sophistication of monitoring would need to move from project-based to country-based performance and Fund-wide impact and provide more strategic view for policy debate;
- Evaluations would need to react to the most current and urgent concerns of the Executive Committee.

14. At its 38th Meeting the Executive Committee discussed and endorsed the 2003-2005 phase-out plan of the Multilateral Fund (Decision 38/66). The plan is based on compliance needs of Article 5 countries. In this respect, the Executive Committee requested the implementing agencies and bilateral agencies to use it as a basis for the preparation of their annual business plans and urged Article 5 countries to accelerate the pace of project implementation during the 2003-2005 triennium. Therefore, the process is moving more and more from project approval regime to that of project implementation and country performance and the workload of the sub-committees as well as the decision-making body, the Executive Committee itself, could correspondingly be heavily skewed towards one sub-committee and thus

upset the efficient management of the time available to the Committee and possibly reduce efficiency.

Recommendation

15. Against the background of the information and analysis provided in the preceding paragraphs, the Executive Committee may wish to consider restructuring its work and that of its sub-committees as indicated below:

- (a) The financial plan of the Fund, three-year and annual business plans as well as progress reports of the implementing agencies will be matters to be addressed by the full Executive Committee rather than by a sub-committee;
- (b) Issues such as return of balances from cancelled or completed projects and other routine activities as the Executive Committee may decide, should be handled administratively between the Secretariat and responsible implementing agencies with appropriate reports to the Executive Committee;
- (c) Retain the two sub-committees with revised terms of reference or functions, making the review of multi-year phase-out plans the sole responsibility of one sub-committee (instead of the current situation where one sub-committee looks at the agency progress report and disbursement issues of the phase-out plan while the other looks mainly at the annual work programme and its associated funding).
