



**United Nations
Environment
Programme**

Distr.
Limited

UNEP/OzL.Pro/ExCom/32/42
9 November 2000

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-second Meeting
Ouagadougou, 6-8 December 2000

**DRAFT REPORT OF THE EXECUTIVE COMMITTEE TO THE TWELFTH
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 Eleventh Meeting of the Parties, is submitted in fulfilment 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 Thirtieth Meeting of the Executive Committee was held in Montreal from 29 to 31 March 2000, the Thirty-first Meeting was held in Geneva, Switzerland, from 5 to 7 July 2000, and the Thirty-second Meeting was held in Ouagadougou, Burkina Faso from 3 to 5 December 2000. Reports of the Executive Committee are provided in documents UNEP/OzL.Pro/ExCom/30/41, UNEP/OzL.Pro/ExCom/31/61 and UNEP/OzL.Pro/ExCom/32/--.

3. In accordance with decision XI/9 of the Eleventh Meeting of the Parties, the meetings of the Executive Committee were attended by Australia, Germany (Vice-Chair), Japan, the Netherlands, Slovakia, Sweden, and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Bahamas, Brazil, China, Dominican Republic, India (Chair), Tunisia and Uganda, representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. Vishwanath Anand (India), and Mr. Heinrich Wilhelm Kraus (Germany) acted as Vice-Chair.
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, Germany, India, Japan, Slovakia, Tunisia (Chair), and the United States of America, met back to back with the meetings of the Executive Committee. Reports of the Sub-Committee are provided in UNEP/OzL.Pro/ExCom/30/20, UNEP/OzL.Pro/ExCom/31/21 and UNEP/OzL.Pro/ExCom/32/21.

Sub-Committee on Monitoring, Evaluation and Finance

6. The Sub-Committee on Monitoring, Evaluation and Finance, composed of the representatives of Australia, Bahamas (Chair), China, Dominican Republic, the Netherlands, Sweden and Uganda met back to back with the meetings of the Executive Committee. Reports of the Sub-Committee are provided in UNEP/OzL.Pro/ExCom/30/4, UNEP/OzL.Pro/ExCom/31/4 and UNEP/OzL.Pro/ExCom/32/3.

Subgroup on the Production Sector

7. The Subgroup on the Production Sector, re-established by the Executive Committee in its decision 30/3 and composed of the representatives of Australia (convenor), Brazil, China, Dominican Republic, Germany, India and the United States of America, held several meetings in 2000. Reports of the meeting of the Subgroup are provided in UNEP/OzL.Pro/ExCom/30/38, UNEP/OzL.Pro/ExCom/31/56 and UNEP/OzL.Pro/ExCom/32/39.

B. Financial matters

Status of contributions and disbursements

8. As at 31 October 2000, the total income to the Multilateral Fund, including interest and miscellaneous income, amounted to US \$1,155,642,425. The disbursements against this income totalled US \$1,055,433,547. The balance available amounted to US \$23,382,601. 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	6,477,326
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	21,541,897
1997	157,144,159	130,432,891	26,711,268
1998	157,545,040	129,552,340	27,992,700
1999	157,897,921	127,020,546	30,877,375
TOTAL (1991-2000)	1,287,122,642	1,063,705,172	223,417,470
2000 (to date)	146,666,667	72,342,189	74,342,478

Contributions in arrears

9. As at 31 October 2000, arrears for 1991-1999 stood at US \$149,092,992. Of this amount, US \$59,742,138 is associated with non-CEIT countries. Outstanding contributions for 2000 amounted to US \$74,324,478.

Bilateral contributions

10. During the period under review, the Executive Committee approved requests to credit bilateral assistance amounting to a total of US \$1,765,743. This brings the total for bilateral cooperation to US \$40,715,464, which represents approximately 3.60 per cent of funds approved. The range of bilateral projects approved included training workshops, project preparation, demonstration and investment projects [and development of refrigeration servicing subsector strategies].

Issues pertaining to contributions

11. The Executive Committee decided at its Thirty first Meeting, to request the Treasurer to submit at its Thirty-second Meeting a status report on the implementation of the fixed exchange rate mechanism as contained in paragraph 6 of decision XI/6 of the Parties. The Executive Committee decided to entrust to the Sub-Committee on Monitoring, Evaluation and Finance consideration of issues pertaining to contributions at future meetings of the Executive Committee (decision 31/1).

C. Strategic Planning and Resource Management

Strategic Planning for the Multilateral Fund for 2000-2002

12. At its Thirtieth Meeting, the Executive Committee considered the report on strategic planning prepared by the Secretariat (UNEP/OzL.Pro/ExCom/30/35). It requested implementing agencies involved with institutional strengthening in those Article 5 countries unable to comply

with the CFC freeze and also with the 2002 freeze on halons and methyl bromide to contact National Ozone Units in the countries concerned to assess what activities may be needed to ensure compliance (decision 30/57).

13. [Prior to the Thirty-first Meeting, the Executive Committee decided to hold an informal meeting on strategic planning. During that meeting, the Secretariat presented an analysis of Article 5 countries' prospects for compliance with control measures through 2005 and an approach for a unified data reporting system. At the Thirty-first Meeting, the Committee considered, *inter alia*, the report prepared by the Secretariat as a follow-up to decision 30/57 (UNEP/OzL.Pro/ExCom/31/55), that contained comments from Executive Committee members on strategic planning. The Committee decided to continue its discussion of strategic planning at another informal meeting to be held immediately prior to the Thirty-second Meeting (decision 31/46).

2000 business plan of the Multilateral Fund

14. The consolidated business plan of the Multilateral Fund consists of the business plans of the four implementing agencies and those non-Article 5 countries which have bilateral cooperation programmes. Consistent with Decision XI/7 of the Eleventh Meeting of the Parties concerning replenishment of the Multilateral Fund, resource allocation for the consolidated business plan of the Multilateral Fund for the year 2000 was based on a budget level of US \$158.57 million for phaseout of 29,542 ODP tonnes of ozone depleting substances (ODS) for future years. At its Thirtieth Meeting the Executive Committee noted the 2000 consolidated business plan of the Multilateral Fund and approved the 2000 business plans of the implementing agencies. The Committee adopted a year 2000 target for disbursement to beneficiary enterprises of funds already approved of US \$148.8 million and a phase-out target of 23,225 ODP tonnes in the year 2000. The Committee also approved the individual business plans of the implementing agencies for the year 2000, based on the target figures in the consolidated business plan.

15. At the same meeting the Executive Committee decided that countries which had not ratified the London Amendment to the Montreal Protocol might be maintained in the consolidated business plan and that the Secretariat should write to relevant Parties requesting them to proceed rapidly with ratification (decision 30/13).

D. Fund achievement

Total ODS phase-out

16. Up to the end of 1999, the implementation of projects supported by the Multilateral Fund had resulted in the phase-out of 120,363 ODP tonnes of ODS (ozone-depleting substances), with the following sectoral distribution:

Sectors	ODP tonnes phased out
Aerosol	20,988
Foam	23,067
Fumigant (methyl bromide)	-
Halon: production and consumption	44,482
Multiple sectors	36
Process agent	-
Production (CFC)	6,698
Refrigeration	23,386
Solvent	1,302
Sterilant	-
Tobacco expansion	404
Total:	120,363

Regional distribution

17. Since 1991 1,417 activities have been approved in Asia and the Pacific; followed by Latin America and the Caribbean, with 826 activities; Africa, with 563 activities; and Europe, with 125 activities. Additionally, 204 global activities have been approved since the inception of the Fund.

Funding and disbursement

18. The total funds approved since 1991 by the Executive Committee to achieve this phaseout and to implement both on-going investment projects and all non-investment projects and activities, are US\$919,419,589 (excluding agency fees). Of the total funds approved, the amounts allocated to, and disbursed by, each of the implementing agencies and bilateral agencies are indicated in the table below:

Agency	US\$ approved (1)	US\$ disbursed (2)
IBRD	387,439,781	230,164,426
UNDP	257,129,447	156,842,702
UNEP	39,895,679	27,141,214
UNIDO	195,836,662	121,105,109
Bilateral	39,118,020	19,265,011
Total	919,419,588	554,518,460

(1) As of November 2000, including agency fees.

(2) As of end-1999, excluding agency fees.

Approvals in 2000

19. During the period under review, the Executive Committee approved a total of 287 additional projects and activities, with a planned phase-out of 4,028 ODP tonnes in the

production and consumption of controlled substances. It approved US \$75,625,926 for their implementation.

Investment projects

20. Of the total funds approved in the period under review, the Executive Committee allocated US \$67,505,291 (including agency support costs) for the implementation of 113 investment and demonstration projects and allocated a further US \$3,781,430 for project preparation. The implementation of these projects will eliminate an estimated quantity of 4,028 ODP tonnes in consumption and production of ODS. A breakdown by sector is as follows:

Sector	US \$		ODP tonnes for phase-out
	Implementation	Project Preparation	
Aerosol	344,510	161,590	74
Foam	15,637,838	1,518,720	2,301
Fumigant (methyl bromide)	5,335,580	320,196	497
Halon: Production and consumption		94,964	
Process agent		113,000	
Production (CFC)	26,050,000	45,200	
Refrigeration	12,200,975	1,333,400	1,131
Solvent	7,936,388	194,360	24.9
Sterilant			
Tobacco expansion			
Total	67,505,291	3,781,430	4,028

Sector phaseout initiatives

China CFC production sector phaseout

21. The Executive Committee decided at its Thirtieth Meeting to approve the 2000 annual plan for the China CFC production sector at a funding level of US \$13 million plus US \$1.7 million support cost (decision 30/50). This is the second tranche of the China CFC production sector agreement under which CFC production will be reduced by 4,931 ODP tonnes in the year 2000, leading to complete phaseout in 2010.

India CFC production sector gradual phase-out

22. At the Thirty-first Meeting, the Executive Committee approved US \$11 million plus US \$880,000 support costs for implementation of the 2000 annual programme under which CFC production will be reduced by 1,882 ODP tonnes in the year 2000. This is the first tranche of a production sector agreement with India leading to complete phaseout in 2010.

Production Sectors in Argentina (CFC), China (CTC and TCA) and DPR Korea (CTC)

23. In the period under review, the Executive Committee authorized the Fund Secretariat to commission the technical audits of the CFC production sector in Argentina (decision 30/60); carbon tetrachloride and trichloroethane-producing enterprises in China, and of CFC-producing enterprises in the Democratic Peoples Republic of Korea (decision 31/47). After considering the report of the technical audit of CFC production in Argentina at its Thirty-first Meeting, the Executive Committee requested the World Bank to develop a draft agreement, setting out optional scenarios for the phase-out of its CFC production sector.

Phase-out Strategy for the Solvent Sector in China

24. At the Thirtieth Meeting, the Executive Committee approved the 29 March 2000 agreement on the phase-out of ODS (CFC-113, TCA and CTC) in China's solvent sector (UNEP/OzL.Pro/ExCom/30/41, Annex IV). The agreement gives approval in principle to a total funding of US \$52 million to be disbursed over the ten-year period 2000-2010 for the phase-out of 4,031 ODP tonnes of CFC-113, TCA and CTC used as cleaning solvents in China. The Executive Committee approved the first annual payment of US \$7,425,000 (including agency support costs of 10 percent). From the year 2003 onwards, the timing and amount of payments will be contingent on satisfactory achievement of the agreed consumption limits. CTC solvent use will cease in 2004 and CFC-113 solvent use will cease in 2006.

Tobacco Sector Phase-out Plan of China

25. The Executive Committee, at the Thirtieth Meeting, approved in principle US \$11 million for the implementation of a sector plan to phase out the use of 1,090 ODP tonnes of CFC-11 in the manufacture of expanded tobacco in China by 2007. [At the Thirty-second Meeting, the Committee approved an agreement with the Government of China governing disbursement modalities, performance requirements and monitoring procedures of the sector plan, and approved the first annual payment of US \$2,000,000 including agency support costs of 9 per cent for the phaseout of 90 ODP tonnes of CFC-11 in the sector in the year 2001].

Methyl bromide

26. In the period under review, 4 investment projects were approved for 4 countries. The total funding allocated to investment projects is now US \$5,335,580 and the total amount of methyl bromide to be phased out is 497 tonnes.

Refrigerant management plans (RMPs)

27. During the period under review, 7 RMPs were approved at a total cost of US \$1,140,716, bringing the total number approved to 144 projects in 58 countries. 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 for recovery and recycling until the regulatory and legislative requirement to control imports are in place.

Non-investment activities

Country programmes and country programme updates

28. During the period under review, the Executive Committee approved 5 additional country programmes. This brings the total number of approved country programmes to 107, covering the estimated production of 70,000 ODP tonnes of CFCs and halons and consumption of 155,000 ODP tonnes of controlled substances. The Committee also took note of an update of the country programme submitted by the Government of China and encouraged UNDP and the Government of China to revise the data.

Institutional strengthening

29. During the period under review, US \$1,591,485 was approved for commencement of institutional-strengthening projects in one new Article 5 countries and renewal of 15 existing institutional-strengthening projects. This brings the total approvals by the Committee to US \$26,935,445 for institutional-strengthening projects in 105 Article 5 countries.

Technical assistance and training

30. In the period under review 27 technical assistance projects were approved at a total cost of US \$1,980,450 for halon banking, awareness campaigns, preparation of the strengthening in the refrigeration servicing sector, enhancing the capacity in methyl bromide communication, policy assistance, and information exchange. This brings the number of technical assistance projects and activities approved since the inception of the Multilateral Fund to a total cost of US \$73,779,700. The range of activities includes workshops, awareness campaigns, training programmes, the development of sectoral phase-out strategies, and project preparation. The total includes 5 training programmes at the national, regional or global levels, costing US \$405,670. As of end of 1999, 106 national training programmes, regional workshops and global training activities have been completed.

Allocations to implementing agencies

31. During the period under review, the distribution of the total funds approved by the Executive Committee to the implementing agencies and to bilateral agencies, including agencies' support costs, where applicable, for investment projects and non-investment projects and activities, was as follows:

Agency	US \$
IBRD	34,074,474
UNDP	22,050,202
UNEP	2,291,577
UNIDO	14,927,913
Bilateral	2,281,760
TOTAL:	75,625,926

E. Monitoring and Evaluation

Status of ODS phase-out in Article 5 countries

32. The Executive Committee reviewed the 1999 status report on ODS phase-out in Article 5 countries (UNEP/OzL.Pro/ExCom/29/10), which consolidated the ODS consumption data provided by Article 5 countries to the Ozone Secretariat with the ODS sector consumption data and phase-out progress achieved through assistance from the Multilateral Fund, as reported by Article 5 countries to the Fund Secretariat. The status report was accompanied by an analysis of the prospects of Article 5 countries achieving their Montreal Protocol compliance obligations up to the year 2005, prepared by the Fund Secretariat using the consolidated consumption data. The Fund Secretariat developed a unified data reporting computer programme to facilitate the provision by countries of the consumption data required under Article 7 of the Montreal Protocol and the sectoral data sought by the Executive Committee. The analysis of compliance prospects and the programme for data reporting were presented at an informal meeting on strategic planning held prior to the Thirty-first Meeting of the Executive Committee and also at the Twentieth Meeting of the Implementation Committee.

33. The Executive Committee noted that for many countries there were discrepancies between the two sets of data and requested implementing agencies to attempt to reconcile the sector consumption data provided to the Fund Secretariat with the data provided to the Ozone Secretariat. The Committee urged the National Ozone Units to provide a breakdown of refrigeration sector data into servicing and manufacturing and requested the Fund Secretariat to include additional analysis in its future annual updates of the status reports of ODS phase-out. The Committee also requested the Fund Secretariat to liaise with Article 5 countries and those preparing and receiving data regarding the accuracy, comparability and efficiency of data collection (decision 31/12).

Evaluation of the implementation of the 1999 business plans

34. At its Thirty-first Meeting, the Executive Committee requested members and the implementing agencies to communicate to the Secretariat, within 60 days, their views on a number of elements applicable to the evaluation of the agencies' performance in achieving the targets of their business plans, and requested the Secretariat to prepare a report, based on the comments received. The Committee also requested the implementing agencies to report on all of the indicators required by Executive Committee decisions (decision 31/11).

Progress reports

35. The Executive Committee, at its Thirty-first Meeting, took note of the progress report on bilateral cooperation (decision 31/5), the progress reports of the implementing agencies (decisions 31/6 to 31/10) and of the consolidated progress report prepared by the Secretariat. It requested the Secretariat to consult with the implementing agencies on the feasibility of closing project preparation accounts annually or biennially and to submit a concise report to the Committee at its Thirty-second Meeting (decision 31/4).

Project implementation delays

36. The Executive Committee noted the cancellation of a number of projects that had encountered implementation delays by mutual agreement between the Government and implementing agencies, and the return of the remaining balances to the Fund for reprogramming. In considering delayed projects which had not been cancelled by mutual agreement, the Executive Committee decided that certain projects should not be cancelled, but should continue to be closely monitored. In other cases, the Committee requested the relevant implementing agency to pursue the matter and to report back to the Committee. In the case of one country, where several projects had been subject to implementation delays and where a proposed revision to the completion dates for other projects was deemed unacceptable, the Committee requested the Secretariat to send a letter to the Government concerned (decision 31/3).

Completed projects with balances

37. At its Thirtieth Meeting, the Executive Committee requested the Secretariat to liaise with the implementing agencies to refine further the relevant unobligated balances and unliquidated obligations, and to indicate a time for the return of the balances to the Fund (decision 30/19). At its Thirty-first Meeting, the Executive Committee adopted guidelines for the return of unobligated balances from completed projects (decision 31/2). The Committee also requested the Secretariat, in consultation with the agencies, to develop procedures and formats for applying the guidelines, and to investigate ways to deal with the balances from recurring projects.

Implementation of the Monitoring and Evaluation work programme

38. During the period under review, the Executive Committee considered final reports arising from the year 2000 Monitoring and Evaluation Work Programme on the evaluation of

refrigeration, institutional strengthening and training projects, and desk studies on the evaluation of recovery and recycling and compressor projects.

Refrigeration projects

39. At its Thirtieth Meeting, the Executive Committee took note of the final evaluation report on refrigeration projects, together with the draft action plans to follow up on the results of those evaluations. Based on the final evaluation report, the Executive Committee decided to supplement an earlier decision concerning use of CFCs by enterprises after conversion, by requesting the agencies to withhold, wherever possible, part of project funding or cost reimbursement until proof of disposal or destruction of equipment had been provided (decision 30/6).

Institutional strengthening projects

40. At the Thirtieth Meeting, the Executive Committee took note of the final evaluation report on institutional strengthening projects and draft action plans. The Committee requested the Secretariat, in collaboration with interested countries and agencies, to prepare general principles for agreements on new and renewed projects and set out a number of elements for incorporation into such principles. At the Thirty-first Meeting, the Committee adopted new procedures for reallocating funds between separate budget lines in institutional strengthening projects (decision 31/13). [Additional text on revised formats for terminal reports and extension requests to be added after the Thirty-second Meeting].

Training projects

41. At its Thirty-first Meeting, the Executive Committee took note of the findings and recommendations in the report on the evaluation of training projects. At its Thirty-second Meeting --- [to be completed after the Thirty-second Meeting].

Recovery and recycling projects

42. At its Thirty-first Meeting, the Executive Committee, after considering the desk study on recovery and recycling projects, decided that an evaluation of such projects should be undertaken as soon as they had been monitored for a reasonable period and data had been collected by National Ozone Units and implementing agencies and forwarded to the Secretariat.

Compressor projects

43. The Executive Committee considered the information provided in the desk study on compressor projects (UNEP/OzL.Pro.31/17) at its Thirty-first Meeting and the inclusion of a field evaluation of compressor projects in the 2000 Monitoring and Evaluation work programme.

Project completion reports for investment projects

44. At its Thirtieth Meeting the Executive Committee approved the revised format for project completion reports for investment projects.

F. Policy mattersProject preparation in countries preparing sector plans for terminal phase-out

45. At its Thirtieth Meeting, the Executive Committee decided to approve funding for additional individual project preparation activities in countries which were preparing sector plans for terminal phase-out, on the understanding that: it was clear that the sectoral strategy in preparation was unlikely to be submitted to the Executive Committee for approval for at least six months; the country concerned had stated in a letter its intention to adhere to a sectoral strategy; and the implementing agency provided an assurance in the request for funding that the project could be adjusted, as appropriate, and incorporated into the sectoral strategy (decision 30/21).

Use of HCFCs as an interim technology

46. At its Thirty-first Meeting, the Committee approved terms of reference, for a study on the choice of alternative technologies at the enterprise level, covering the entire range of alternatives to CFCs in the rigid foam sector, including HCFCs (decision 31/49).

Revised strategy and guidelines for the methyl-bromide sector

47. A Working Group on Revision of Guidelines for Methyl Bromide Projects, composed of Australia, Brazil, China, Dominican Republic, Germany, India, Netherlands, Tunisia, Uganda (convenor) and the United States of America held several meetings during the Thirtieth, Thirty-first and Thirty-second meetings of the Executive Committee.

Refrigerant management plans

48. At its Thirtieth Meeting, the Executive Committee decided that, until new guidelines for RMPs had been adopted, the existing guidelines would continue to be applied (decision 30/61). In light of its decision 30/61, the Executive Committee approved the project preparation activities related to RMPs for low-volume consuming countries on the basis of the current guidelines and deferred the relevant work programme activities for non-low-volume consuming countries, pending a decision on revised guidelines.

49. At its Thirty-first Meeting, the Executive Committee adopted a three-part decision on guidelines for RMPs addressing, respectively, already approved RMPs for low-volume consuming countries; preparation and approval of new RMPs for low-volume consuming countries; and RMPs for higher-volume consuming countries (decision 31/48).

New project preparation where funded phase-out exceeds 80 per cent of current consumption

50. At its Thirtieth Meeting, the Executive Committee decided, *inter alia*, that requests for project preparation should be considered on a case-by-case basis if the request concerned a country for which projects approved, but not yet implemented, would phase out more than 80 per cent of the country's ODS consumption, as contained in the latest data reported to the Ozone Secretariat. In addition, where projects approved, but not yet implemented, would phase out more than 80 per cent of the country's baseline consumption, the implementing agency should provide a clear delineation of the remaining consumption in all sectors (decision 30/23).

Concessional lending

51. At its Thirtieth Meeting, the Executive Committee decided to include the above item on the agenda of its Thirty-first Meeting (decision 30/2), at which it subsequently noted that there were three options for initiating future discussions on concessional lending, namely, in connection with the next replenishment of the Fund, after the Twelfth Meeting of the Parties, or at the current Meeting. In the absence of agreement, the Executive Committee decided to defer further consideration of concessional lending (decision 31/50).

Technical issues of foam density

52. At its Thirty-first Meeting, the Executive Committee adopted, for the calculation of incremental operating costs, the conclusions and recommendations of the technical study on foam density provided in annex VII to UNEP/OzL.Pro/ExCom/31/61 for a period of one year and requested the Secretariat to resume work to improve the conclusions. On the basis of the conclusions and recommendations, the Committee also approved all foam projects for which the foam density issue was pending (decision 31/35).

New subsector for the assembly, installation and servicing of refrigeration equipment

53. At its Thirty-first Meeting, the Executive Committee decided to adopt, for a period of 18 months, the guidelines for the subsector for assembly, installation and recharging of refrigeration equipment (UNEP/OzL.Pro/ExCom/31/61, annex X); to pay attention to projects submitted under certain of those guidelines, in particular to determine whether there was any eligible incremental operating cost; and to consider projects on a case-by-case basis, in order to obtain experience (decision 31/45).

G. Matters relating to the Meeting of the Parties

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

H. Fund Secretariat activities

55. In the reporting period, the Fund Secretariat prepared documentation and provided conference services for the Thirtieth, Thirty-first and Thirty-second Meetings of the Executive Committee, three meetings each of the Sub-Committee on Project Review, the Sub-Committee on Monitoring, Evaluation and Finance, and three meetings of the Subgroup on the Production Sector.

56. The Fund Secretariat analysed and reviewed proposals for some 348 projects and activities from implementing agencies and bilateral donors and commented on 5 country programmes. Comments and recommendations were provided, as appropriate, on all proposals submitted for the consideration of the Executive Committee.

57. The Fund Secretariat also prepared 11 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.

58. The Secretariat assisted in a meeting/workshop with the Manager and Coordinators of the Regional Networks to discuss draft reports on the evaluation of networks and assisted in a meeting on the revision of the guidelines for methyl bromide projects. The Fund Secretariat also organized two coordination meetings with the implementing agencies.

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

60. The Fund Secretariat administered the following contracts:

- Evaluation studies of institutional strengthening, training and recovery and recycling projects and activities
- Evaluation study of projects in selected countries in the refrigeration and compressor sectors
- Evaluation study of regional networks.

61. During the period under review, the Chief Officer undertook missions with the Chair and/or Vice-Chair of the Executive Committee to Costa Rica, Cuba, and Uganda, to meet with representatives of the Governments of the six Central American countries and Kenya, Uganda and Tanzania. He also attended the 12th Meeting of the Council of Arab Ministers of the Environment in Cairo, Egypt. In addition the Secretariat staff undertook several other missions relating to the programme of the Multilateral Fund, meetings of the Parties to the Montreal Protocol, and GEF Council meetings.

I. Reports of the Executive Committee

62. The reports of the Thirtieth and Thirty-first Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/30/41 and UNEP/OzL.Pro/ExCom/31/61, respectively) have been distributed to all Parties to the Montreal Protocol. These reports as well as the reports of the Sub-Committees and all earlier reports can be accessed at the website of the Fund Secretariat (www.unmfs.org).

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 Eleventh Meeting of the Parties (UNEP/OzL.Pro/11/7, Annex I) and reflects decisions of the Executive Committee in the period under review and other relevant developments.

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

- (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.

- (c) Further delegation by the Executive Committee in due course, with a view to achieving appropriate delegation over time.

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.

The Executive Committee will continue to pursue further delegation, as deemed appropriate, over time.

Update since the Eleventh Meeting of the Parties:

- *The Executive Committee has now approved a total of 5 sectoral phase out programmes including the CFC production sectors in China and India, the solvent consumption sector in China, the methyl bromide sector in Jordan. Each of these agreements includes arrangements to provide the country concerned with flexibility in the application of the approved funds, consistent with achievement of the phase-out performance stipulated in the agreements.*
 - *The Executive Committee has also approved projects for total phase out of methyl bromide consumption in specific applications in Argentina, Peru, Turkey and Zimbabwe, which comprise significant proportions of the overall methyl bromide consumption in those countries. Each project contains a performance agreement between the Executive Committee and the country concerned.*
 - *At its Thirty-first meeting the Executive Committee adopted revised guidelines for refrigerant management plans. Under the revised guidelines, countries will need to be fully involved in developing the contents of the RMP to best meet their compliance needs and, for low-volume-consuming countries with RMPs already approved, the specification of the projects to be undertaken within the additional 50 percent RMP funding available to them.*
 - *These new initiatives all involve increased delegation in the formulation and implementation of projects to facilitate compliance with the phase-out requirements of the Montreal Protocol. They are indicative of the approach now being considered by the Executive Committee to involve countries even more closely in the determination of the nature of the assistance to be provided under the Multilateral Fund and the effectiveness of its use in facilitating compliance. Accordingly Actions 1 (b) and (c) have been overtaken by events and can be considered as completed.*
- (d) Evaluation of Small Project Approval Process (SPAP) by the Executive Committee on completion of the current project group.

Update since the Eleventh Meeting of the Parties:

- ***There have been no new developments since the last report. However, the projects included in the original World Bank SPAP were approved at the Twenty-second Meeting and are under implementation both by the World Bank and by UNDP. The SPAP modality is not proposed for future projects. This action can be considered as having been overtaken by other developments.***

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.

As reported previously:

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.

Update since the Eleventh Meeting of the Parties:

- ***The substantial experience gained by the Secretariat and implementing agencies in determining equipment costs in the refrigeration and foam sectors, as reflected in the equipment cost database, is routinely used in the formulation and review of projects. Consequently, there are now few uncertainties in determining the level of costs for items of equipment agreed as being eligible for funding in these sectors. In other sectors, where sufficient projects have been completed using near identical equipment, these will be considered for inclusion in the database. However the number of additional entries is likely to be low.***
- ***The equipment database will be augmented from time to time, to the extent found to be useful. However this action can be considered as substantially 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.

As reported previously:

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:

Aerosols:		20 ODP tonnes/yr.
Foams:	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 Eleventh Meeting of the Parties:

- ***No projects were approved in 1999 under the pilot funding window for SMEs. In the year 2000 consolidated business plan of the Multilateral Fund, special funding windows were discontinued and the funding absorbed into the overall allocation for investment projects. There have been no other new developments.***

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.

As reported previously:

At its Twenty-seventh Meeting, the Executive Committee requested the Secretariat, in cooperation with the Implementing Agencies, to compile a compendium of past decisions and experiences so far and to collaborate on real-life scenarios, highlighting relevant issues and problems.

In considering the discussion paper prepared in response to the above decision, the Executive Committee took note of principles presented by the representative of Canada and invited the members of the Executive Committee to submit to the Secretariat comments on these or further such principles, for inclusion in a broad framework document to be considered at the Twenty-ninth Meeting of the Executive Committee;

At the Twenty-ninth meeting, the Executive Committee decided to take note of the documents on the subject, as a useful basis for further discussion, and to seek the guidance of the Meeting of the Parties on how to proceed further.

Update since the Eleventh Meeting of the Parties:

- ***At its Thirtieth Meeting the Executive Committee decided to include concessional lending in the agenda for the Thirty-first Meeting.***
- ***At the Thirty-first Meeting, in the absence of agreement on the timing for initiation of future discussions, the Executive Committee decided to defer further consideration of concessional lending.***

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.

As reported previously:

The Executive Committee has approved phase out plans for the solvent sector and tobacco sector in China which involve industrial consolidation at varying degrees.

At the same time, the Government of China has also submitted for consideration by the Executive Committee a revised ODS phase out strategy in the EPE/EPS foam subsector which if approved, will also involve industrial consolidation.

Update since the Eleventh Meeting of the Parties:

- ***Since industrial consolidation is being routinely considered, inter-alia in the formulation of sectoral strategies, where consistent with the national industrial strategies of the relevant country, and is included in relevant decisions of the Executive Committee such as the framework guidelines for process agent projects, this action can be considered as completed.***

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.

As reported previously:

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.

- ***There have been no new developments since the last report.***

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.

As reported previously:

The interim guidelines for methyl bromide projects adopted at the Twenty-fourth Meeting do not make reference to additional implementing agencies, and at this stage, the Executive Committee has not concluded that additional implementing agencies are required for concessional loan programmes.

Update since the Eleventh Meeting of the Parties:

- ***The issue of new implementing agencies has not arisen in the Executive Committee's considerations on revisions to the methyl bromide guidelines.***
- ***The overall issue of a concessional loan programme is addressed under Action 10 above.***
- ***This action can be considered as completed.***

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.

As reported previously:

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.

- *There have been no new developments since the last report.*

PART II: ACTIONS COMPLETED

The following actions were included in the Report for the Eleventh 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)
Action 2
Action 3
Action 5
Action 7
Action 8
Action 9
Action 12
Action 15
Action 16
Action 17
Action 18
Action 19
Action 20.