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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-fifth Meeting  
Montreal, 4-8 April 2005

**REPORT ON THE RECOMMENDATIONS FROM THE 2004 EVALUATION AND  
REVIEW OF THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL  
(FOLLOW-UP TO DECISION 44/60)**

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.

## Introduction

1. At its 44<sup>th</sup> Meeting, the Executive Committee decided:
  - (a) To request the Secretariat to invite Executive Committee members, bilateral and implementing agencies, and the Treasurer to provide comments and to complete the column entitled “recommended action” in the table contained in Annex XIX to the present report, to compile the comments received, and to prepare a document for the 45<sup>th</sup> Meeting of the Executive Committee;
  - (b) To invite Executive Committee members wishing to do so to provide comments on contributions for the assessment by the Technology and Economic Assessment Panel of the 2006-2008 replenishment of the Multilateral Fund;
  - (c) To convene a contact group to meet during the 45<sup>th</sup> Meeting of the Executive Committee in order to draft a preliminary assessment report on the recommendations in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol for the 25<sup>th</sup> Meeting of the Open-ended Working Group, based on the document prepared by the Secretariat; and
  - (d) To consider the preliminary assessment report at the 45<sup>th</sup> Meeting.

**(Decision 44/60)**

2. A fax inviting comments on the recommendations in the 2004 evaluation and review of the financial mechanism of the Montreal Protocol was sent to the 2004 members of the Executive Committee on 23 December 2004 and to the 2005 members, bilateral and multilateral implementing agencies and the Treasurer on 4 January 2005. A deadline of 4 February 2005 was set for the submission of comments on the recommendations in the Evaluation. Responses were received from Brazil, Canada, France, UNEP and UNDP.
3. A reminder was sent on 9 February 2005. Members, bilateral agencies, and implementing agencies were given an additional week to provide input. Additional input was received from the Treasurer, UNIDO and the World Bank.
4. The Fund Secretariat had not yet received any input from Executive Committee members on contributions for the assessment by the Technology and Economic Assessment Panel of the 2006-2008 replenishment of the Multilateral Fund as requested in paragraph (b) of decision 44/60.
5. This document presents a recommendation-by-recommendation review of each of the 28 recommendations contained in the 2004 Evaluation and Review of the Financial Mechanism of the Montreal Protocol. It includes a section under each recommendation to allow for possible input for the Assessment Report to the Meeting of the Parties, which the Secretariat has compiled in an effort to assist decision-making during the 45<sup>th</sup> Meeting in view of the large number of recommendations. The draft report provided in Annex I to the present document will be updated

according to comments and decisions made during the 45<sup>th</sup> Meeting, and then submitted to the 25<sup>th</sup> Meeting of the Open-ended Working Group.

6. Based on the analysis in the document, recommendations are proposed for consideration by the Executive Committee and for action by the Secretariat, the implementing agencies, and the Treasurer. Therefore, the present document contains a section with proposals aimed at implementing some of the proposed general recommendations from the Evaluation.

### **Review of Recommendations from the Evaluation of the Financial Mechanism**

7. A compilation of responses and relevant actions by the Executive Committee is presented under each General Recommendation. Possible input for the General Assessment to be submitted by the Executive Committee to the 25<sup>th</sup> Meeting of the Open-ended Working Group appears at the end of each section. This input indicates the outcome of the Executive Committee's consideration of each General Recommendation, as well as its implementation status (already implemented, to be implemented on an ongoing basis, not to be implemented with no need for further action or reporting, or ongoing to be implemented in the short term).

#### **GENERAL RECOMMENDATION 1: Make further structural changes to the Executive Committee, if necessary, to specifically address compliance.**

##### Background and comments

8. Respondents indicated agreement that the Executive Committee was addressing compliance on an ongoing basis in several different ways and that there was little, if any, need for structural change to address compliance. The Executive Committee has addressed compliance matters *inter alia* in terms of giving priority to countries with compliance needs in business planning, requiring annual progress reports and annual funding for national ozone units in countries found to be in non-compliance, monitoring the status/prospects of compliance at each meeting, considering the impact on project cancellation on compliance, and establishing a regionally-based Compliance Assistance Programme in UNEP to provide ongoing assistance.

9. The Evaluation suggested that a structural change might involve the establishment of a compliance sub-committee. However, the Executive Committee has already decided to abolish sub-committees. In fact, the one minor structural change that may have a positive effect on the efforts of the Executive Committee to address compliance might be to establish an intersessional approval process for projects where compliance is an issue between Executive Committee meetings. This is under consideration in the context of the Executive Committee's consideration of reducing the number of meetings of the Executive Committee. Such a system might be used to approve projects needed for Parties in non-compliance, those at risk of going into non-compliance and for new Parties. The Committee will consider, at its 45<sup>th</sup> Meeting, adopting a new system or renewing a previously approved system.

Possible Input for Recommendation 1 for the Assessment Report to the Meeting of the Parties

10. The Executive Committee felt that there was no need for a structural change to the Executive Committee to address compliance as this was being addressed under the existing structure through planning, monitoring, and funding activities. [In addition, the Committee at its 45<sup>th</sup> Meeting decided in favour of intersessional approval that might expedite project approval for new Parties and Parties in non-compliance or at risk of non-compliance]. Based on its consideration of the recommendation, the Executive Committee considered this matter to be implemented with no need for further action or reporting.

**GENERAL RECOMMENDATION 2: Continue to evaluate Executive Committee structure and consider reduction of annual meeting numbers**

Background and comments

11. The Executive Committee considered document UNEP/OzL.Pro/ExCom/44/69 containing the Report of Operation of the Executive Committee without Sub-Committees and Potential for an Intersessional Approval procedure (Follow-up to decisions 41/92 and 43/3). The issue of a reduction of the annual number of meetings was considered in this context at the Committee's 44<sup>th</sup> Meeting. The Executive Committee decided to continue discussing this issue throughout 2005. It also requested the Secretariat to produce a document compiling the views of Executive Committee members and providing an estimate of the financial implications of various scenarios (decision 44/57). A paper will be considered at the 45<sup>th</sup> Meeting.

Possible Input for Recommendation 2 for the Assessment Report to the Meeting of the Parties

12. The Executive Committee felt that it had continued to consider structural changes to the Executive Committee including the reduction in the annual number of meetings and an intersessional approval process that were discussed at the 44<sup>th</sup> and 45<sup>th</sup> Meetings. At its 45<sup>th</sup> Meeting, the Committee decided [to be provided]. Based on its consideration of the recommendation, the Executive Committee considered this matter to be implemented with no need for further action or reporting.

**GENERAL RECOMMENDATION 3: Develop a primer to provide background on the Fund for new Executive Committee members**

Background and comments

13. The Executive Committee may wish to consider requesting the Fund Secretariat to develop terms of reference for a draft primer for consideration at the 46<sup>th</sup> Meeting with a view towards presenting a draft primer to the 47<sup>th</sup> Meeting for the Committee's consideration.

Approval at the 47<sup>th</sup> Meeting would enable the primer to be circulated to new and continuing members for the Executive Committee's first meeting in 2006.

14. It should be noted that the Information Strategy aimed at making information sources easier to use is covering this to a certain extent. Both the Multilateral Fund web site and the intranet already contain many documents that new members may access, and there are number of resources that they can use. In this respect a concise primer could also serve as a guide to and inventory of available sources of information.

Possible Input for Recommendation 3 for the Assessment Report to the Meeting of the Parties

15. [After considering this issue, the Executive Committee requested the Secretariat to prepare a draft outline of an Executive Committee primer for consideration at the 46<sup>th</sup> Meeting of the Executive Committee with the aim of a draft primer being presented to the 47<sup>th</sup> Meeting. Based on the decision at the 45<sup>th</sup> Meeting, the Executive Committee considered this matter implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 4: Ensure that results of review of project implementation delay are not only applied to determine project cancellation, monitoring, or removal from the list of delays, but also to inform implementing agencies of how to avoid future delays**

Background and comments

16. There was general agreement from the implementing agencies and other respondents with the recommendation that agencies should be requested to provide information on how to avoid future delays in their reports on implementation delays to the 46<sup>th</sup> Meeting for consideration by the Executive Committee.

Possible Input for Recommendation 4 for the Assessment Report to the Meeting of the Parties

17. [After considering this issue, the Executive Committee requested the implementing agencies to provide information on how to avoid future delays as part of a lessons learned document to be considered at the 46<sup>th</sup> Meeting of the Executive Committee.] Based on the fact that agencies had agreed to provide information on how to avoid future delays, the Executive Committee considered this matter to have been implemented with no need for further action or reporting.

**GENERAL RECOMMENDATION 5: Request the Secretariat to take action to develop prescriptive approaches to address project implementation delays**

Background and comments

18. This matter was agreed at the 44<sup>th</sup> Meeting to have been implemented.

19. The Executive Committee has taken several decisions emanating from its consideration of project implementation delays. In fact the procedures leading to project cancellation provide incentives for beneficiaries to eliminate the cause of the delay and make progress towards completion of projects. The Secretariat has proposed, and the Executive Committee had adopted, several prescriptive actions to prevent projects with implementation delays. For example, prior to project cancellation, the Committee requests agencies and concerned Governments to set deadlines for the achievement of the next project milestone (decision 26/2). This method provides the means for a project to be returned to vigorous implementation. Also, when it was learned that obtaining counterpart funding was delaying project implementation, the Committee decided that agencies should seek a commitment for counterpart funding before projects are approved (decision 22/63). Further, when customs authorities were preventing the delivery of equipment, the Executive Committee took actions urging countries to expedite customs clearance (decision 22/5).

Possible Input for Recommendation 5 for the Assessment Report to the Meeting of the Parties

20. The Executive Committee and the Secretariat have prescriptive approaches to avoiding delays currently in place and under enforcement. Prescriptive approaches are enforced to address project implementation delays primarily through the process of monitoring such projects at each meeting and other decisions related to reasons for delays such as delays due to counterpart funding and customs clearance. The Executive Committee considers this recommendation to have been implemented with no need for further action or reporting.

**GENERAL RECOMMENDATION 6: Build on decision 40/19 and the subsequent report submitted by UNEP (UNEP/OzL.pro/ExCom/41/Inf.2) to assist countries that consume very low quantities of methyl bromide, CTC, and methyl chloroform**

Background and comments

21. The Executive Committee decided to request agencies to include activities for countries that consume a very low quantity of methyl bromide, CTC and methyl chloroform in their 2005-2007 business plans (decision 43/4). It also identified specific countries to target for these substances and established a contact group to address possible solutions (decision 44/4).

22. At its 45<sup>th</sup> Meeting, the Executive Committee will consider for endorsement the 2005-2007 business plans and work programmes that include projects for countries with very low consumption of methyl bromide, CTC and methyl chloroform. It should also be noted that UNEP's CAP also includes activities for such countries as part of its 2005 business plan. The Executive Committee will also consider any results emanating from the continued discussions on this subject by the contact group that was established and met at the 44<sup>th</sup> Meeting.

23. If the Executive Committee endorses business plans that completely address those countries at risk of non-compliance due to their consumption of low quantities of these substances or if it adopts decisions to address the issue based on the contact group's consideration, the Executive Committee may wish to consider this recommendation of the Evaluation to have been implemented.

Possible Input for Recommendation 6 for the Assessment Report to the Meeting of the Parties

24. At its 45<sup>th</sup> Meeting, the Executive Committee endorsed business plans and approved work programmes that included projects for countries with very low consumption of methyl bromide, CTC and methyl chloroform. [It also decided to adopt the following recommendations emanating from the discussions of the contact group: [to be provided.]] Based on the discussion at the 45<sup>th</sup> Meeting, the Executive Committee considered this matter to have been implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 7: Continue to collaborate with the Secretariat and implementing agencies to maintain effectiveness in dealing with issues of project overlap, ineligible funding, and inflated costs**

Background and comments

25. One of the main roles of the Executive Committee has been to avoid project overlaps, ensure that only eligible costs are funded, and eliminate ineligible costs where identified. Project overlap is addressed at the business planning stage to avoid duplicative efforts as well as when projects and work programme activities are submitted. Only eligible funds are recommended for approval. There are estimates that as much as US \$1 billion has been saved thanks to the review process under the Multilateral Fund.

26. The recommendation indicates that there should be continued collaboration. The Executive Committee may wish to consider this recommendation to be implemented on an ongoing basis.

Possible Input for Recommendation 7 for the Assessment Report to the Meeting of the Parties

27. Based on its consideration of this issue at the 45<sup>th</sup> Meeting, the Executive Committee considered this matter to be implemented on an ongoing basis with no need for additional action or reporting.

**GENERAL RECOMMENDATION 8: Reclassify Executive Committee meeting documentation as general distribution**

Background and comments

28. The current policy for the distribution of pre-session meeting documents is to restrict their distribution only to Executive Committee members and meeting participants. Documents are provided to Executive Committee members in both printed and electronic formats in those official languages of the United Nations required by members of the Executive Committee. The policy for in-session working documents such as conference room papers and draft reports is also to make them available only to the Executive Committee members. Final reports of meetings have no restriction on their distribution and are available on the Multilateral Fund web site as an official record of Executive Committee meetings and are distributed to all countries.

29. Those Executive Committee members that submitted comments agreed that meeting documents should be made available more widely. It was also suggested that some documents might be an exception since an interested Party may request restricted access.

30. If documents were produced in all UN languages, there would be several implications including the capacity of the Secretariat to produce 50 to 80 documents per meeting in an additional one or two languages and the costs of translators that are approximately US \$30,000 per language per meeting.

31. One agency suggested that there should first be an analysis of the advantages and disadvantages of classifying all documents for general distribution since information varies in nature (financial, project documents, policies, etc). After the analysis, some types of information might be reclassified for general distribution.

32. The Executive Committee may therefore wish to consider distributing pre-session meeting documentation in the languages produced for the meetings pursuant to decision II/8 (paragraph 5) starting from the 46<sup>th</sup> Meeting onwards by publishing them on the Multilateral Fund public web site and dispatching printed copies or documents on CDROMs to Parties to the Montreal Protocol. The Executive Committee may also wish to concur that any document that a Party or Agency has requested to be restricted should be classified as such, with the possibility that the document can be released at any time following the Committee's consideration of the matter.

Possible Input for Recommendation 8 for the Assessment Report to the Meeting of the Parties

33. [The Executive Committee decided that from the 46<sup>th</sup> Meeting onwards pre-session documents would be classified as General Distribution while restricting access to any document that a Party or Agency had requested to be classified as such until the Committee's consideration of the matter.

34. The Executive Committee also requested that the Secretariat publish all documents starting from the 46<sup>th</sup> Meeting on the web site in the

languages produced for the meetings pursuant to decision 11/8 by the end of 2005. Based on its consideration of this issue at the 45<sup>th</sup> Meeting, the Executive Committee considered this matter implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 9: Extend performance indicators to bilateral implementing agencies**

Background and comments

35. Performance indicators have been discussed at several Executive Committee meetings. The Executive Committee adopted a new set of quantitative performance indicators at its 42<sup>nd</sup> Meeting. The Executive Committee will consider proposals for qualitative performance indicators at its 46<sup>th</sup> Meeting.

36. Like multilateral implementing agencies, bilateral implementing agencies would have to cover these indicators in their annual business plans. While bilateral programmes are often different from multilateral implementing agency programmes, the existing set of performance indicators allows agencies to indicate whether the indicator is relevant.

37. Multilateral implementing agencies agreed that performance indicators should be extended to bilateral implementing agencies in light of the fact that bilateral agencies are increasingly implementing sector and national plans. Therefore, a bilateral agency's performance in this regard is critical to the ability of Article 5 countries to meet their obligations under the Montreal Protocol.

38. One member suggested that the Executive Committee should request the Secretariat to prepare a paper addressing the feasibility and desirability of extending the current indicators to bilateral implementing agencies and that a contact group should be established at the 46<sup>th</sup> Meeting to consider the Secretariat's paper.

Possible Input for Recommendation 9 for the Assessment Report to the Meeting of the Parties

39. [After considering this issue, the Executive Committee requested the Secretariat to prepare a paper addressing the feasibility and desirability of extending the current performance indicators to bilateral implementing agencies for submission to the 46th Meeting of the Executive Committee. Based on the decision at the 45<sup>th</sup> Meeting, the Executive Committee considered this matter ongoing to be completed in the short term with the results to be reported back to the Parties.]

**GENERAL RECOMMENDATION 10: Add performance indicators to address project identification**

Background and comments

40. There are indicators for submitting projects as planned in the business plan, but there are no indicators with regard to whether or not a project has been identified. There are few projects remaining to be identified and the level of project preparation approved is reducing on an annual basis. It should be noted that project preparation has decreased from about US \$3.9 million in 2000, to US \$1.3 million in 2001 and to US \$1.2 million in 2002 and 2003 and US \$1.1 million in 2004.

41. Moreover, it was felt that there was no need for this indicator because there were already several indicators for assessing agencies' efforts to include more countries in their business plans. The inclusion of projects in business plans is subject to an increasingly organized and coordinated process, linked to the compliance needs of countries, among the Secretariat, implementing agencies and, to a lesser extent, bilateral agencies. This process directs agencies to develop projects where they are needed for compliance.

42. Moreover, there are only a very few stand-alone CFC-based manufacturing enterprises left to be converted from CFC use. Phase-out projects are now at the sector/national level.

43. No respondent endorsed this recommendation and no further action was considered warranted.

Possible Input for Recommendation 10 for the Assessment Report to the Meeting of the Parties

44. [Based on its consideration of this issue at the 45<sup>th</sup> Meeting, the Executive Committee considered that this recommendation should not be implemented, as project development and identification is tied to compliance needs and is coordinated effectively by the agencies and the Secretariat.]

**GENERAL RECOMMENDATION 11: Increase the weighting of the performance indicator "ODS phased-out for individual projects vs. those planned per progress reports"**

Background and comments

45. The number of individual investment projects has decreased from 218 in 2001 to 75 in 2004. It is expected that most of the remaining phase-out will be from multi-year projects. For this reason, the indicator for phase-out from individual projects has a rating of 5 and the rating for multi-year projects is 15. Moreover, it was felt that another implementation indicator, project completion, would also address the performance on implementing individual investment projects. This indicator has a rating of 5.

46. One member suggested that the 46<sup>th</sup> or 47<sup>th</sup> Meeting should review the weighting of all existing indicators. He also noted that the new quantitative indicators had not been analyzed based on their first year of operation. The first evaluation of the new quantitative performance indicators will be submitted to the 46<sup>th</sup> Meeting. The Executive Committee might wish to consider whether further work with regard to the weighting of any indicator is warranted at that time.

Possible Input for Recommendation 11 for the Assessment Report to the Meeting of the Parties

47. [Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee decided to consider at its 46<sup>th</sup> Meeting whether a further review of the weighting of the quantitative performance indicators is warranted based on their application in the Evaluation of the Implementing Agencies' 2004 Business Plans to be submitted to the 46<sup>th</sup> Meeting. In the light of this decision, the Executive Committee considered this matter to be ongoing for completion in the short term with results to be reported back to the Parties.]

**GENERAL RECOMMENDATION 12: Continue process of developing qualitative indicators**

Background and comments

48. It was indicated that the development of these indicators has been considered for several years. It was suggested that countries should also have qualitative performance indicators.

49. The Executive Committee addressed the issue of qualitative performance indicators at its 44<sup>th</sup> Meeting and will address the issue again at its 46<sup>th</sup> Meeting pursuant to decision 44/6.

50. One member suggested that this process should be completed by the end of 2005 at the latest.

Possible Input for Recommendation 12 for the Assessment Report to the Meeting of the Parties

51. Pursuant to decision 44/6, National Ozone units have been given an opportunity to consider proposed qualitative performance indicators that were developed by the Committee at its 44<sup>th</sup> Meeting. The results of their consideration of the matter will be submitted to the 46<sup>th</sup> Meeting. [In the light of the discussion at its 45<sup>th</sup> Meeting, the Executive Committee considered this matter to be ongoing for completion in the short term with the results to be reported back to the Parties.]

**GENERAL RECOMMENDATION 13: Share results of performance evaluations with upper management of implementing agency**

Background and comments

52. The Executive Committee decided at its 32<sup>nd</sup> Meeting to share the results of its performance evaluations with upper management and to share the outcome with the governments of all Article 5 countries (decision 32/7).

53. The consequences of business plan evaluations were addressed in the Performance Indicator document (UNEP/OzL.Pro/ExCom/41/80) submitted to the 41<sup>st</sup> Meeting. The document suggested that the Executive Committee might wish to determine whether any consequences were warranted as a result of any annual performance evaluation.

54. One member indicated that the Executive Committee might choose when and what type of consequences might be required on the basis of the results of each annual evaluation.

Possible Input for Recommendation 13 for the Assessment Report to the Meeting of the Parties

55. [Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee believed that it had the ability to share such evaluations with upper management or others when it felt that such an approach was warranted, as it had done at its 32<sup>nd</sup> Meeting. Therefore, it considered that the recommendation should not be implemented on a regular basis, but was implemented as needed, and there was no need for further action or reporting.]

**GENERAL RECOMMENDATION 14: Eliminate selected administrative indicators if relevant administrative problems are resolved**

Background and comments

56. The Secretariat would suggest that administrative indicators resulted from an ongoing problem that would have adverse consequences on timely and thorough preparation of documents for meetings. Without such indicators, there would be no incentive for agencies to submit required reports on time.

57. The multilateral implementing agencies agreed that these indicators should be removed. However, one member stated that administrative indicators should be kept even if 100 per cent is achieved on the indicators because often the reason implementing agencies perform well with respect to a particular administrative requirement is precisely because there is an indicator for that requirement. If this indicator were removed, performance might slip.

Possible Input for Recommendation 14 for the Assessment Report to the Meeting of the Parties

58. Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee believed that the elimination of these indicators might encourage poorer performance. Therefore, it considered that the recommendation should not be implemented and that there was no need for further action or reporting.

**GENERAL RECOMMENDATION 15: Increase efforts to improve country level data reporting**

Background and comments

59. The improvement of country level data reporting is an ongoing effort of UNEP's CAP and those bilateral and multilateral implementing agencies responsible for institutional strengthening and national and sector phase-out plans. The National Ozone Units (NOUs) are being supported through the Multilateral Fund to provide data reporting, *inter alia*. Multi-year agreements include Project Management Units (PMUs) to assist in data reporting. The Executive Committee has addressed reporting on multi-year agreements at its 44<sup>th</sup> and 45<sup>th</sup> Meetings.

60. Implementing agencies agreed that efforts should be increased. One agency stressed the need for streamlining reporting procedures which is being addressed by the Executive Committee in the context of its consideration of reporting formats for multi-year agreements and RMPs. However, it should be noted that data reporting had improved substantially in the last two years and data for 2003 data was reported by all but a very few Article 5 countries in time for consideration at the Sixteenth Meeting of the Parties. Therefore, while efforts to improve data reporting are always warranted, current efforts were successful in 2003. For this reason, the Executive Committee might consider this recommendation from the Evaluation as having been implemented on an ongoing basis, with no need for further action or reporting.

Possible Input for Recommendation 15 for the Assessment Report to the Meeting of the Parties

61. The Executive Committee continues to seek improvements in data reporting by supporting institutional strengthening projects and UNEP's Compliance Assistance Programme. It should be noted that 2003 data reporting was excellent, with only a very few countries not reporting in time. [Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee considered this matter to be implemented on an ongoing basis with no need for additional action or reporting.]

**GENERAL RECOMMENDATION 16: Continue efforts to reduce/avoid project implementation delays**

Background and comments

62. There was general agreement that this was being effectively implemented through the efforts of the agencies and Secretariat. One agency mentioned the role of Article 5 countries in reducing/avoiding implementation delays given the country-driven approach. It was also noted that this recommendation is also covered under General Recommendation 4 concerning how to avoid future delays and General Recommendation 5 concerning prescriptive measures for addressing delays.

Possible Input for Recommendation 16 for the Assessment Report to the Meeting of the Parties

63. [Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee considered this matter to have been implemented on an ongoing basis with no need for additional action or reporting.]

**GENERAL RECOMMENDATION 17: Increase communication between implementing agencies and the Treasurer when promissory notes are transferred, received and encashed**

Background and comments

64. The Executive Committee requested the Treasurer, implementing agencies and the Secretariat to hold a workshop on common terminology and procedures for the reconciliation of accounts, to address this issue (decision 44/55). The matter of promissory notes was largely an issue between the Treasurer and the World Bank. At its 45<sup>th</sup> Meeting, the Executive Committee will consider the Report on the Workshop on Common Terminology and Procedures for the Reconciliation of Accounts. Based on the workshop's conclusions, the Treasurer will provide a ledger of all Treasury related transaction of the Fund, including when promissory notes are transferred, received and encashed.

65. One member suggested that the Treasurer should be required to report once a year on the management of promissory notes, outlining any problems or delays encountered, the processes used and whether there were any communication difficulties with the implementing agencies. In this process, the Treasurer could also seek feedback from donor countries that pay through promissory notes.

Possible Input for Recommendation 17 for the Assessment Report to the Meeting of the Parties

66. [After having considered this matter, the Executive Committee decided to request the Treasurer to circulate to the Secretariat and implementing agencies prior to each Executive Committee meeting a ledger indicating when promissory notes are transferred, received and encashed. Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee considered this

matter to have been implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 18: Continue to maximize proportion of budget spent on implementation and minimize proportion of budget spent on core components**

Background and comments

67. In the context of its mandated annual review of core unit costs of implementing agencies (decision 38/9), the Executive Committee decided to request a review of the current administrative cost regime and provide recommendations either for its continuance or for an alternative administrative cost regime for the 2006-2008 triennium (decision 44/7c).

68. One member indicated that the current share of the implementing agencies' budgets spent on core unit costs was not excessive in the light of these agencies' volume of work. He felt that agencies should be encouraged to provide more support to countries using their existing core components, rather than cut these core components. He felt no further action was required on this recommendation.

Possible Input for Recommendation 18 for the Assessment Report to the Meeting of the Parties

69. [The Executive Committee determined that this recommendation was being implemented on an ongoing basis through the annual review of the core unit costs and that there was no need for further action or reporting.]

**GENERAL RECOMMENDATION 19: Request implementing agencies to explain significant increases in their core budget expenses**

Background and comments

70. During its annual consideration of core unit budgets pursuant to decision 38/9, the Executive Committee requested implementing agencies to provide more in-depth information on their administrative costs (decision 44/7d).

Possible Input for Recommendation 19 for the Assessment Report to the Meeting of the Parties

71. Based on its decision at its 44<sup>th</sup> Meeting, the Executive Committee considered this matter has been implemented with no need for further action or reporting since it has requested agencies to provide more-in depth information on their administrative costs in future annual reviews.

**GENERAL RECOMMENDATION 20: Conduct a study regarding the efficiency of IA administration of smaller projects**

Background and comments

72. Some multilateral implementing agencies felt strongly that if any study were to be conducted, the Executive Committee should carefully consider the methodology and definition of some terms including “efficiency”.

73. One member suggested that a study might not be required at this point. It was felt that the issue had been raised in the context of the request from UNDP for Supplementary Oversight Support funds. Previous studies had indicated that the lack of economies of scale does not favour the implementation of small projects by implementing agencies.

74. It was noted that this issue would be addressed in the context of the post-2007 RMP review submitted to the 45<sup>th</sup> Meeting and the administrative cost study that would be submitted to the 46<sup>th</sup> Meeting. Therefore, the recommendation of the Evaluation does not require any additional action from the Executive Committee.

Possible Input for Recommendation 20 for the Assessment Report to the Meeting of the Parties

75. [Based on the consideration of this issue at its 45<sup>th</sup> Meeting, the Executive Committee considered this matter to be implemented through other reviews of RMPs, supplementary oversight support funding requests, and administrative costs with no need for further action or reporting.]

**GENERAL RECOMMENDATION 21: Monitor the use of funds for non-investment versus investment activities within national or sector phase out plans**

Background and comments

76. The purpose of monitoring these two categories of costs is not clear. If the purpose is to track the expenditures to ensure that they are used properly, then this lies within the implementing agency’s fiduciary responsibility. If the purpose is to track disbursements, most national and sector phase-out plans’ annual funding tranches include more detail on planned costs that whether the costs are for investment or non-investment activities.

77. Only a few TPMPs have delineated between investment and non-investment costs. Those that have made the delineation included investment projects in their TPMPs. Article 5 countries have been given flexibility in using approved funding for actions they deem necessary to achieve phase-out. Moreover, the monitoring of consumption in TPMPs is related to the servicing sector where the distinction between investment and non-investment types is more difficult to establish.

Possible Input for Recommendation 21 for the Assessment Report to the Meeting of the Parties

78. [After considering the issue of monitoring the use of funds in national and sector phase-out plans, the Executive Committee considered the recommendation to be implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 22: Provide in Table 1 of the status report on contributions and disbursements the incremental income, allocations and provisions, and balance available for new allocations, in addition to the cumulative totals of these financial components**

Background and comments

79. As agreed at the 44<sup>th</sup> Meeting, respondents felt that this matter had been implemented and that no further action was warranted.

Possible Input for Recommendation 22 for the Assessment Report to the Meeting of the Parties

80. [The Executive Committee considered this recommendation to have been implemented with no need for further action or reporting since status reports contain this information.]

**GENERAL RECOMMENDATION 23: Document the internal procedures and practices of the Treasurer**

Background and comments

81. One member suggested that this recommendation was already being implemented but that the Treasurer could be asked to report on progress in documenting his procedures.

82. Multilateral implementing agencies fully supported the recommendation.

Possible Input for Recommendation 23 for the Assessment Report to the Meeting of the Parties

83. [After considering the issue of documenting the internal procedures and practices of the Treasurer, the Executive Committee decided at its 45th Meeting to request the Treasurer to build upon the successes of the workshop and report on final progress in this regard to the 46<sup>th</sup> Meeting. With this decision, the Executive Committee considered the recommendation to be implemented with no need for additional action or reporting.]

**GENERAL RECOMMENDATION 24: Take action to encourage timely payment by the donor countries**

Background and comments

84. The Executive Committee has consistently encouraged countries to make payments and the Fund Secretariat has made and continues to make efforts to encourage payment by those countries that have not yet paid. However, this recommendation does not appear to take into account the rather remarkable accomplishment of over 90 per cent of pledged contributions having been paid. Moreover, as one member indicated, delayed payments have not been so significant as to affect the proper functioning of the Fund.

Possible Input for Recommendation 24 for the Assessment Report to the Meeting of the Parties

85. [Based on the discussion at its 45<sup>th</sup> Meeting, the Executive Committee considered that this recommendation was already being implemented on an ongoing basis in the review of the status of contributions, with no need for further action or reporting.]

**GENERAL RECOMMENDATION 25: Implement internal quality control measures to improve the accuracy of recordkeeping**

Background and comments

86. One member suggested that the Treasurer should provide a detailed report once a year and interim reports at other times on quality control measures to improve the accuracy of recordkeeping. This should be done in conjunction with General Recommendation 23.

Possible Input for Recommendation 25 for the Assessment Report to the Meeting of the Parties

87. [After considering the issue of internal quality control, the Executive Committee decided at its 45<sup>th</sup> Meeting to request the Treasurer to provide a detailed report once each year, and interim reports at other times as appropriate, on quality control measures to improve the accuracy of recordkeeping. With this decision, the Executive Committee considered the recommendation to be implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 26: Clarify how, when, and what financial data should be accounted and reported by implementing agencies**

Background and comments

88. The Executive Committee requested the Treasurer, implementing agencies and the Secretariat to hold a workshop on common terminology and procedures for the reconciliation of

accounts to address *inter alia* the issue of financial reporting (decision 44/55). A report on the workshop will be submitted to the 45<sup>th</sup> Meeting. The report also addresses how, when and what financial data should be accounted, standardized reporting, and providing an audit trail of all of the Treasurer's transactions relating to the Fund's accounts.

Possible Input for Recommendation 26 for the Assessment Report to the Meeting of the Parties

89. [After considering the report on a workshop on common terminology and procedures for the reconciliation of accounts, the Executive Committee found that the roles of the agencies in terms of data reporting had been clarified and therefore the recommendation had been implemented and there was no need for further action or reporting.]

**GENERAL RECOMMENDATION 27: Consider engaging an independent auditor to assist with account reconciliation if financial discrepancies persist**

Background and comments

90. One bilateral agency suggested engaging an independent auditor in the short run. It has also recommended having an independent auditor assist in the reconciliation of accounts, rather than the UN internal audit system.

91. However, as agreed at the 44<sup>th</sup> Meeting, an independent audit has not been necessary. Furthermore, audits of UN agencies, when necessary, have to be conducted under UN financial rules regardless of whether the audit is internal or external.

92. One member pointed out that any Party could request, at any time, that an external auditor audits the accounts. He felt that the Treasurer should continue to bring to the immediate attention of the Executive Committee any internal budget evaluations of the Multilateral Fund as presented annually at the United Nations General Assembly. This would allow countries to see whether the comments by internal UN auditors are positive. If problems were identified, the Executive Committee might wish to decide to request that an external auditor review the situation and provide recommendations.

Possible Input for Recommendation 27 for the Assessment Report to the Meeting of the Parties

93. [Based on the discussion of this matter at its 44<sup>th</sup> and 45<sup>th</sup> Meetings, the Executive Committee considered that no independent auditor was deemed necessary and that the recommendation should not be implemented, while noting each Party's right to request an external audit if circumstances warranted this.]

**GENERAL RECOMMENDATION 28: Continue to analyze the FERM's effect on Fund value**

Background and comments

94. Despite the action recommended at the 44<sup>th</sup> Meeting of the Executive Committee, one member indicated that the Executive Committee would continue to review the effect of the FERM on the value of resources available to the Multilateral Fund as part of the Treasurer's report to every meeting on the Status of Contributions and Disbursements.

95. Nevertheless, as indicated at the 44<sup>th</sup> Meeting, any decisions on the FERM are matters for consideration by the Meeting of the Parties and therefore subject to the Parties' analysis regarding its effect and whether it should be revised or considered in connection with discussions on the replenishment of the Multilateral Fund.

96. One bilateral agency suggested that the review should be implemented on an ongoing basis and that the Executive Committee should indicate that it had considered this recommendation from the Evaluation.

Possible Input for Recommendation 28 for the Assessment Report to the Meeting of the Parties

97. [At its 44<sup>th</sup> Meeting, the Committee noted that the issue of FERM was a matter for decision by the Meeting of the Parties. After its review at the 45<sup>th</sup> Meeting, the Committee noted that the impact of the FERM on the value of resources available to the Fund was monitored by the Treasurer as part of his report on the Status of Contributions and Disbursements to each meeting of the Executive Committee. In this light, the recommendation was considered implemented on an ongoing basis with no need for additional action or reporting.]

**RECOMMENDATIONS**

The Executive Committee may wish to:

1. Note the document contained in UNEP/OzL.Pro/ExCom/45/51;
2. Decide to reclassify pre-session meeting documentation as General Distribution from the 46<sup>th</sup> Meeting onwards in the languages produced for the meetings while restricting access to any document that a Party or Agency requests to be classified as such until the Executive Committee's consideration of the matter;
3. Decide to consider at its 46<sup>th</sup> Meeting, whether a further review of the weighting of the quantitative performance indicators is warranted based on their application in the Evaluation of the Implementing Agencies' 2004 Business Plans to be submitted to the 46<sup>th</sup> Meeting;

4. Request the Secretariat to:

- (a) Prepare a draft outline of an Executive Committee primer to be considered at the 46<sup>th</sup> Meeting of the Executive Committee and the draft primer to be presented to the 47<sup>th</sup> Meeting;
- (b) Prepare a paper addressing the feasibility and desirability of extending the current performance indicators to bilateral implementing agencies for submission to the 46<sup>th</sup> Meeting of the Executive Committee;

5. Request the implementing agencies to:

- (a) Provide information on how to avoid future delays as part of a lessons-learned document to be considered at the 46<sup>th</sup> Meeting of the Executive Committee;
- (b) To specify in the annual progress reports of multi-year agreements the disbursements and obligations against costs for activities specified in annual tranche funding requests;

6. Request the Treasurer to:

- (a) To report to the Executive Committee once a year on the transferral receipt and encashment of promissory notes;
- (b) To report on progress in documenting his internal procedures and practices annually until they have been fully documented;
- (c) To provide a detailed report once a year and interim reports at other times as appropriate on quality control measures to improve the accuracy of recordkeeping; and

7. Decide to forward [an updated version of Annex I based on inputs contained in this document and the discussion at the 45<sup>th</sup> Meeting] its Assessment Report on the Recommendations in the 2004 Evaluation and Review of the Financial Mechanism of the Montreal Protocol for consideration at the 25<sup>th</sup> Meeting of the Open-ended Working Group.



## Annex I

### **SAMPLE SUBMISSION TO THE MEETING OF PARTIES ADDRESSING RECOMMENDATIONS 1 AND 2 OF THE 28 RECOMMENDATIONS FROM THE EVALUATION**

### **ASSESSMENT REPORT ON THE RECOMMENDATIONS IN THE 2004 EVALUATION AND REVIEW OF THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL**

#### **Report of the Executive Committee**

1. As requested by decision XVI/36 of the Sixteenth Meeting of the Parties, the Executive Committee has reviewed the recommendations made by the Consultant and submits the following report for the consideration of the Meeting of the Parties.
2. The report is organized by recommendation and indicates whether the Executive Committee considers the recommendation to be implemented, ongoing, or to be implemented within a given time frame. It also indicates the Executive Committee's planned actions with regard to each recommendation.
3. The following table summarizes the recommendations:

<b>Number of Recommendations</b>	<b>Status of Recommendation</b>	<b>Applicable General Recommendation Numbers</b>
<i>No further action or reporting</i>		
15	Implemented	1-6, 8, 17, 19-23, 25, 26
6	Implemented on an Ongoing Basis	7, 15, 16, 18, 24, 28
4	Should not be Implemented	10, 13, 14, 27
<i>Continued reporting</i>		
3	Ongoing with Implementation in the Short Term	9, 11, 12

**GENERAL RECOMMENDATION 1: Make further structural changes to the Executive Committee, if necessary to specifically address compliance.** The Executive Committee felt that there was no need for structural change to the Executive Committee to address compliance as compliance was addressed through several other means. At its 45th Meeting, the Committee decided [to be provided if intersessional approval is adopted]. [Based on its consideration of the recommendation, the Executive Committee considered this matter to be implemented with no need for further action or reporting.]

**GENERAL RECOMMENDATION 2: Continue to evaluate Executive Committee structure and consider reduction of annual meeting numbers.** At its 45th Meeting, the Committee decided [to be provided]. [Based on its consideration at its 45th Meeting, this recommendation was considered to be implemented with no need for further action or reporting.]

Etc.

#### **Conclusion**

4. Based on the above summary, the Executive Committee intends to provide an updated version of this document to the Meeting of the Parties since the remaining 4 ongoing issues to be addressed are expected to be addressed by the time of the Executive Committee's last meeting prior to the Seventeenth Meeting of the Parties.