



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/40/7
15 July 2003



ORIGINAL: ENGLISH

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

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

Introduction

1. The Sub-Committee on Monitoring, Evaluation and Finance of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol held its 20th Meeting in Montreal on 14 and 15 July 2003.
2. The meeting was attended by the members of the Sub-Committee – the representatives of Austria, Belgium, Canada (Chair), El Salvador, Hungary, Jordan, and Mauritius.
3. Representatives of the implementing agencies, the Ozone Secretariat and the Treasurer attended the meeting as observers.
4. The meeting was also attended by representatives of Bolivia, Germany and the United States as observers.
5. Mr. Marco Gonzalez, Executive Secretary of the Ozone Secretariat, and Ms. Tamara Curll, representing the President of the Implementation Committee, also attended the meeting as observers.
6. The Chair of the Sub-Committee, Mr. Philippe Chemouny (Canada), opened the meeting at 10:00 a.m. on Monday, 14 July 2003, and welcomed the participants.

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

7. The Sub-Committee adopted the following agenda on the basis of the provisional agenda contained in document UNEP/OzL.Pro/ExCom/SCMEF/20/1:
 1. Adoption of the agenda and organization of work.
 2. Final report on the evaluation of the halon sector.
 3. Desk study on the evaluation of the implementation of CFC production sector agreements.
 4. Sources of information on procurement procedures of implementing agencies: follow-up to Decision 39/11(b).
 5. Revised resource allocation for the 2003-2005 triennium (Decision 39/5).
 6. Secretariat's proposal on criteria for project funding to accelerate phase-out and/or to maintain momentum (Decision 39/6(c)(ii)).
 7. Progress reports as at 31 December 2002:
 - (a) Consolidated progress report;
 - (b) Bilateral cooperation;

- (c) UNDP;
 - (d) UNEP;
 - (e) UNIDO;
 - (f) World Bank.
8. 2002 accounts of the Multilateral Fund.
 9. Evaluation of the 2002 business plans.
 10. Performance indicators (Decision 38/69).
 11. Phase-out from cancelled projects (Decision 39/13).
 12. Project implementation delays.
 13. Project balances.
 14. Report on the status of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol.
 15. Other matters.
 16. Adoption of the report of the Sub-Committee.
 17. Closure of the meeting.

AGENDA ITEM 2: FINAL REPORT ON THE EVALUATION OF THE HALON SECTOR

8. The Sub-Committee considered the final report on the evaluation of the halon sector (UNEP/OzL.Pro/ExCom/40/8), which presented the findings and recommendations resulting from evaluation missions to five Article 5 countries (Brazil, China, India, Malaysia, and Venezuela) and to UNEP/DTIE.

9. During the discussion, attention was drawn to the encouraging findings in the halon sector, where several projects, in particular the halon production phase-out in China, were being implemented on time and even ahead of time. Concern was expressed, however, at insufficient progress in halon banking and recovery and recycling projects, which could restrict halon availability for essential use in Article 5 countries in the future. Introducing alternatives to halon in the various countries depended on the implementation of standards and codes, which had to be determined in conjunction with national fire authorities. It was also important to monitor the appropriateness, and quality of alternatives. It was clarified that the recommendation on the use of HFC236fa and HFC227ea as substitutes for halon in China should be amended to consider whether it was appropriate to use greenhouse gases as substitutes for ozone-depleting substances.

It was noted that HFCs were generally used in fixed systems in the absence of substitutes with equivalent fire-extinguishing efficiency.

10. Following the discussion, the Sub-Committee recommended that the Executive Committee take note of the information provided in document UNEP/OzL.Pro/ExCom/40/8, including the recommendations aimed at the countries visited and the implementing agencies with a view to enhancing the implementation of ongoing projects, taking into account the comments made by the members of the Sub-Committee during the meeting.

AGENDA ITEM 3: DESK STUDY ON THE EVALUATION OF THE IMPLEMENTATION OF CFC-PRODUCTION SECTOR AGREEMENTS

11. The Sub-Committee considered the report on the results of the desk study on the evaluation of the implementation of CFC production sector agreements (UNEP/OzL.Pro/ExCom/40/9).

12. After considering the implementation of CFC production sector agreements, the content and procedures of annual verification reports, the results achieved so far and the prospects for sustainability, the Sub-Committee proposed issues for further analysis during field evaluation missions. They included the inspection of plants with the ability to return to producing CFCs and visits to plants where CFC production equipment was reported to have been dismantled, in order to make sure that they had in fact stopped CFC production completely. Surprise inspections could only take place in certain countries where they were permitted by national regulations. Sector and plant data would be examined closely for indications of activity contrary to the production agreements. Evaluations would also look at implementation of the agreements within the larger context of issues such as the balance between reduction of production and demand for CFCs in Article 5 countries and growing concern over the purity of CFCs available on the market. The agreements themselves should also be analysed in order to pass on the lessons learned to other countries entering into production sector agreements.

13. Following the discussion, the Sub-Committee recommended that the Executive Committee take note of the information provided in document UNEP/OzL.Pro/ExCom/40/9, including the proposed evaluation issues for further analysis during field evaluation missions, taking into account the comments made by the members of the Sub-Committee during the meeting.

AGENDA ITEM 4: SOURCES OF INFORMATION ON PROCUREMENT PROCEDURES OF IMPLEMENTING AGENCIES: FOLLOW-UP TO DECISION 39/11(b)

14. The Sub-Committee considered the procedures used by some implementing agencies in establishing and using rosters of potential supplier companies and consultants (UNEP/OzL.Pro/ExCom/40/10), as requested in Decision 39/11(b).

15. The Sub-Committee considered the information on the rosters presently used by the implementing agencies, registration procedures for new supplier companies and consultants, and sources of information and relevant references provided by the implementing agencies. The information provided by the implementing agencies had shown that the procedures for registering on the rosters were open to all interested suppliers. It was pointed out that, while past performance was a factor when shortlisting and selecting suppliers and consultants for project delivery, it was neither the sole nor dominant criterion. Furthermore, dispensing with past performance as a selection criterion might lead to loss of important information and constitute an infringement of the administrative procedures of implementing agencies. It was agreed that there was a need for implementing agencies to exchange information on the capacity, efficiency and experience of suppliers and consultants and that to assist those interested in providing services or goods it would be useful if the Multilateral Fund Secretariat's web site included links to the implementing agencies' relevant sites. The Sub-Committee also noted the suggestion that a mechanism should be established to consider the grievances of suppliers that felt they were the subject of discrimination.

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

- (a) Take note of the information provided in document UNEP/OzL.Pro/ExCom/40/10;
- (b) Request implementing agencies to exchange information on the capacity, efficiency and experience of suppliers and consultants in delivering projects;
- (c) Include in the Multilateral Fund Secretariat's web site links to the implementing agencies' relevant sites to assist those interested in providing services or goods.

AGENDA ITEM 5: REVISED RESOURCE ALLOCATION FOR THE 2003-2005 TRIENNIUM (DECISION 39/5)

17. The Sub-Committee considered the documents on revised resource allocation for the 2003-2005 triennium (UNEP/OzL.Pro/ExCom/40/11, Add.1 and Add.2/Rev.1), which had been prepared by the Secretariat as a follow-up to Decision 39(f)-(i), together with an informal proposal submitted by Canada regarding business plans relating to bilateral cooperation.

18. During the ensuing discussion, attention was drawn to Decision 39/5, which requested contributing Parties to submit a three-year business plan prior to the 40th Meeting of the Executive Committee, and it was noted that some countries that had expressed an intention to reserve part of their contributions for bilateral cooperation had not yet complied. Failure to present a plan made financial planning difficult for the Fund. It was pointed out, on the other hand, that it was not always possible to predict with accuracy for the triennium whether certain bilateral cooperation activities would in fact materialize or continue and a degree of flexibility should be allowed.

19. The Sub-Committee, recognizing that Parties might pay up to 20 per cent of their assessed contributions in the form of approved bilateral projects and acknowledging the urgent need to identify any resources from the bilateral allocation not likely to be used during the triennium, recommended that the Executive Committee:

- (a) Note with appreciation the 2003-2005 business plan letters submitted by the Governments of Spain, Switzerland and the United States of America and the amendments to the 2003-2005 business plans of Canada, Czech Republic, France, Germany, Hungary and Sweden as contained in UNEP/OzL.Pro/ExCom/40/11, Add.1 and Add.2/Rev.1, as well as the information that business plans would shortly be received from Austria and Japan;
- (b) Request contributing Parties that had indicated their interest in undertaking bilateral projects during the triennium but had not submitted specific information with regard to such projects to do so as soon as possible and as a minimum to submit business plans prior to the 42nd Meeting of the Executive Committee, indicating, to the extent practicable, the following information:
 - (i) the projects planned to be submitted during the triennium;
 - (ii) the estimated value of each planned project; and
 - (iii) the phase-out associated with each planned project, where applicable;
- (c) Urge contributing Parties to prioritize, for inclusion in their three-year business plans, projects required for countries to comply with impending Montreal Protocol control measures, using as a basis the three-year phase-out plan of the Multilateral Fund.

AGENDA ITEM 6: SECRETARIAT'S PROPOSAL ON CRITERIA FOR PROJECT FUNDING TO ACCELERATE PHASE-OUT AND/OR TO MAINTAIN MOMENTUM (DECISION 39/6(c)(ii))

20. The Sub-Committee considered the Secretariat's proposal on criteria for project funding to accelerate phase-out and/or to maintain momentum (UNEP/OzL.Pro/ExCom/40/12) prepared pursuant to Decision 39/6(c)(ii). The document included a process for identifying funds not required in the current business plan year for possible allocation to the next business plan year, as well as criteria for the redeployment of identified funds to additional projects designed to meet additional compliance needs of Article 5 Parties so as to assist in early phase-out and/or maintaining momentum.

21. Members of the Sub-Committee welcomed the Secretariat's proposal and, after having received clarification on several points, they put forward a number of amendments to the criteria for selecting countries eligible for the funding window.

22. In response to questions regarding the procedure to be followed in allocating funds, the Chief Officer explained that when the amount available to the funding window was known, the Secretariat would inform implementing agencies accordingly so that they could include activities for funding through the window in their business plans, respecting the recommended criteria.

23. The Sub-Committee recommended that the Executive Committee:

- (a) Decide:
 - (i) That the funds listed in subparagraphs a, b and c below could be allocated to a funding window to accelerate phase-out, maintain momentum and meet the as yet unidentified compliance needs of Article 5 countries:
 - a. funds not required in the current year's business plan defined as the difference between the value for each activity in the business plan and the amount approved for it by the Executive Committee;
 - b. funds returned from balances, cancellations, and changes in ownership from projects approved during the triennium; and
 - c. funds from annual tranches not approved during the business plan year due to a delay in submission and approval, taking into account the funds required for the entire triennium;
 - (ii) That the funds identified in accordance with subparagraphs (i) a, b and c above could be redeployed to projects/agreements for the following in descending order and on the basis of cost-effectiveness within each category so as to accelerate phase-out, maintain momentum and meet the as yet unidentified compliance needs of Article 5 countries:
 - a. new Parties to the Montreal Protocol and its amendments;
 - b. countries with low levels of consumption of methyl bromide, halon, CTC and TCA;
 - c. LVC countries that have received funding for an RMP pursuant to Decision 31/48;
 - d. countries for which project preparation has been approved and utilized;
 - e. countries with a low level of residual consumption on a case-by-case basis; and
 - f. countries for the purpose of phasing out ODS production;
- (b) Request the Secretariat to report to the 44th Meeting of the Executive Committee on the need to revise the criteria set out in subparagraph (ii) above.

AGENDA ITEM 7: PROGRESS REPORTS AS AT 31 DECEMBER 2002:

(a) Consolidated progress report

24. The Sub-Committee considered the 2002 consolidated progress report of the Multilateral Fund (UNEP/OzL.Pro/ExCom/40/13), which was presented by the Secretariat. The document summarized the progress made and provided financial information on the implementation of projects and activities supported by the Fund up to 31 December 2002.

25. In considering the progress report, the Sub-Committee noted the adequate disbursement rates and phase-out targets achieved by implementing and bilateral agencies, but expressed concern over the high number of projects with implementation delays. The implementing agencies reported that the time required to obtain signature of agreements and project documents by governments following project approval by the Executive Committee was a significant delaying factor. One representative indicated that another reason for project implementation delays was the inadequate level of funding approved. There was some discussion on the need for agencies to report as early as possible to enable the Secretariat to collect all of the necessary financial data to rule out project overruns, and confirm that milestones had been or were in the process of being reached.

26. Following clarification by the Secretariat on a number of other issues, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the consolidated progress report of the Multilateral Fund as contained in UNEP/OzL.Pro/ExCom/40/13;
- (b) Request the implementing agencies to take measures to reduce the amount of time taken to obtain signatures of agreements and project documents and to report thereon to the 41st Meeting of the Executive Committee and to require letters from governments accepting the projects/agreements in the amount recommended by the Secretariat prior to final approval;
- (c) Also to request implementing agencies to resubmit the financial information in their progress reports to the Fund Secretariat no later than eight weeks prior to the 41st Meeting and encourage them to submit the audited financial accounts no later than 1 September 2003;
- (d) Further request bilateral agencies to submit their annual progress reports by 1 May each year.

(b) Bilateral cooperation

27. The Sub-Committee considered the progress report on bilateral cooperation for the year 2002 (UNEP/OzL.Pro/ExCom/40/14 and Add.1), which was presented by the Secretariat.

28. Having considered the information on activities implemented through bilateral cooperation up to 31 December 2002, the fact that progress reports had not been submitted by

some bilateral agencies, the adjustments to net funds received for bilateral contributions, developments in the methyl bromide demonstration programme in Kenya, additional monitoring for projects not subject to procedures for project cancellation, and information submitted by the Government of Germany regarding progress in projects previously classified as projects with implementation delays, the Sub-Committee recommended that the Executive Committee:

- (a) Take note with appreciation of the progress reports submitted by the Governments of Australia, Belgium, Canada, France, Germany, Israel, Italy, Japan, Poland, Sweden, Switzerland and the United Kingdom;
- (b) Request the Government of Finland to provide its progress report to the 41st Meeting of the Executive Committee;
- (c) Note that prior to the 40th Meeting the Treasurer had made adjustments to the total net value of bilateral contributions of Australia and Canada (US \$1,208,219 and US \$6,448,438, respectively), based on the data submitted in their progress reports that were consistent with the data in the Secretariat's Inventory of Approved Projects;
- (d) Request the Governments of Belgium, Canada, France, Germany and Japan to provide reports on projects with implementation delays to the 41st Meeting;
- (e) Set the milestone of initiation of field trials to demonstrate alternatives to methyl bromide in grain storage by 15 September 2003 for the methyl bromide demonstration programme in Kenya (KEN/FUM/26/DEM/20), implemented by Canada;
- (f) Monitor the following projects as projects with implementation delays and note their slow progress:
 - (i) assistance in the design of policies and regulations in Saint Kitts and Nevis (STK/REF/24/TAS/04), implemented by Canada; and
 - (ii) customs training project in Viet Nam (VIE/REF/34/TAS/37), implemented by Poland;
- (g) Offset US \$127,314 in project savings against future approvals of the Government of France for bilateral cooperation as indicated below:
 - (i) US \$19,257 from project preparation for phase-out of methyl bromide used in grain fumigation in Costa Rica (COS/FUM/29/PRP/21);
 - (ii) US \$5,121 from technical assistance in air-conditioning in Ghana (GHA/REF/27/TAS/11);
 - (iii) US \$2,381 from documentary on traffic in secondhand refrigerators in Côte d'Ivoire (IVC/REF/27/TAS/14);

- (iv) US \$31,575 from technical assistance in air-conditioning in Jordan (JOR/REF/27/TAS/46);
- (v) US \$495 from project preparation and technical assistance in Lebanon (LEB/FOA/19/TAS/07);
- (vi) US \$235 from conversion to non-CFC technology in the manufacture of flexible moulded foam at Meuble Mode Sarl in Lebanon (LEB/FOA/20/INV/10);
- (vii) US \$7,224 from conversion to non-CFC technology in the manufacture of flexible foam (slabstock) at Plastiflex Sarl in Lebanon (LEB/FOA/20/INV/12);
- (viii) US \$950 from conversion to non-CFC technology in the manufacture of flexible foam (slabstock) at Merza Foam Sarl in Lebanon (LEB/FOA/20/INV/13);
- (ix) US \$2,258 from conversion to non-CFC technology in the manufacture of flexible foam (slabstock) at Fomaco Sarl in Lebanon (LEB/FOA/20/INV/15);
- (x) US \$13,443 from conversion of commercial refrigeration production facilities in Lebanon (LEB/REF/23/INV/22);
- (xi) US \$3,019 from country programme preparation in Madagascar (MAG/SEV/21/CPG/01);
- (xii) US \$4,538 from no clean process improvement training for electronic assemblers who phased out CFC-113 in Malaysia (MAL/SOL/22/TRA/97);
- (xiii) US \$12,891 from institutional strengthening in Mauritania (MAU/SEV/14/INS/02);
- (xiv) US \$544 from training and awareness of personnel involved in the task of codifying and identifying ODS and ODS-containing material in Mauritania (MAU/SEV/14/TRA/03);
- (xv) US \$1,000 from project preparation in the foam sector in Mali (MLI/FOA/25/PRP/04);
- (xvi) US \$248 from project preparation for projects in the hotel and fisheries industries and recycling in Senegal (SEN/REF/19/PRP/06);
- (xvii) US \$8,828 from project preparation in commercial refrigeration in the Syrian Arab Republic (SYR/REF/26/PRP/35);

- (xviii) US \$4,018 from project preparation in the air-conditioning sector in the Syrian Arab Republic (SYR/REF/26/TAS/37);
 - (xix) US \$2,140 from no clean process improvement training for electronic assemblers in Thailand (THA/SOL/29/TRA/124); and
 - (xx) US \$5,500 from technical assistance on alternative technologies for cold storage in Viet Nam (VIE/REF/20/TAS/12);
- (h) Request the Treasurer to modify the total amount of France's bilateral assistance up to the end of the 39th Meeting to US \$8,592,195 based on the data submitted in France's progress report that were consistent with the data in the Secretariat's Inventory of Approved Projects;
 - (i) Note the transfer of funds from France for the technical assistance project on air-conditioning in Jordan (JOR/REF/27/TAS/46) to the World Bank;
 - (j) Allow the implementing and bilateral agencies to redeploy savings from RMP subprojects to other RMP subprojects, with the agreement of the country concerned;
 - (k) Offset US \$81,000 against future approvals of the Government of Germany for bilateral cooperation from the methyl bromide project in Egypt (EGY/FUM/26/DEM/69);
 - (l) Request the Treasurer to modify the total amount of Germany's bilateral assistance up to the end of the 39th Meeting to US \$21,254,824, based on the data submitted in Germany's progress report that were consistent with the data in the Secretariat's Inventory of Approved Projects;
 - (m) Request the Government of Japan to report to the 41st Meeting on project preparation in the solvent sector in China (CPR/SOL/29/PRP/307) in the context of completed projects with balances.

(c) UNDP

29. The representative of UNDP presented UNDP's progress report on activities up to 31 December 2002 (UNEP/OzL.Pro/ExCom/40/15 and Corr.1).

30. Following the presentation, the Sub-Committee received clarification regarding the preparation of foam projects in the Libyan Arab Jamahiriya by UNDP and UNIDO. Regarding pending project signature of multi-year performance-based agreements, the representative of UNDP informed the meeting that the necessary signatures had been obtained for five of the projects.

31. The Sub-Committee recommended that the Executive Committee:

- (a) Take note of UNDP's progress report contained in UNEP/OzL.Pro/ExCom/40/15

and Corr.1;

- (b) Monitor the Garabouli foam project in the Libyan Arab Jamahiriya (LIB/FOA/32/INV/06) as a project with implementation delays and note its slow progress;
- (c) Note that UNDP would report on up to 51 projects with implementation delays, including 29 projects that were so classified in 2002;
- (d) Also note that UNDP had 364 projects classified as completed for over one year with remaining balances totalling US \$4,774,693;
- (e) Request UNDP to address the financial inconsistencies in the context of the reconciliation of accounts pursuant to Decision 38/9(d), noting that overruns should not be allowed pursuant to Decision 17/22.

(d) UNEP

32. The representative of UNEP presented UNEP's progress report on activities up to 31 December 2002 (UNEP/OzL.Pro/ExCom/40/16).

33. After some discussion on the possible target of the Compliance Assistance Programme (CAP) for data reporting, and after hearing additional information from UNEP not contained in its progress report on the project on training in hydrocarbon technology in the refrigeration sector in Uruguay and on the preparation of the country programme for Liberia, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of UNEP's progress report contained in UNEP/OzL.Pro/ExCom/40/16;
- (b) Set as a target for UNEP's CAP, with a view to full reporting, to report:
 - (i) the number of countries with missing data that received specific CAP assistance for data reporting in order to determine compliance baselines. UNEP should give a clear indication of the assistance provided; and
 - (ii) the number of countries reporting data in compliance with Article 7 of the Protocol.
- (c) Monitor the project on training in hydrocarbon technology in the refrigeration sector in Uruguay (URU/REF/34/TAS/36) as a project with implementation delays, having noted the verbal report presented by UNEP at the meeting;
- (d) Request the submission of additional status reports to the 41st Meeting of the Executive Committee, including action taken by UNEP and the National Ozone Units (NOU) since the 40th Meeting, on the following institutional strengthening projects:
 - (i) Dominica (DMI/SEV/26/INS/04);

- (ii) Democratic People's Republic of Korea (DRK/SEV/32/INS/13);
 - (iii) Cambodia (KAM/SEV/36/INS/03);
 - (iv) Grenada (GRN/SEV/30/INS/02);
 - (v) Mozambique (MOZ/SEV/15/INS/03);
 - (vi) Myanmar (MYA/SEV/29/INS/02);
 - (vii) Saint Kitts and Nevis (STK/SEV/21/INS/02);
 - (viii) United Republic of Tanzania (URT/SEV/20/INS/07); and
 - (ix) Zambia (ZAM/SEV/30/INS/11);
- (e) Monitor the preparation of the country programme for Liberia (LIR/SEV/27/CPG/01), implemented by UNEP, as a project with implementation delays and note its slow progress;
 - (f) Note that UNEP had 15 projects classified as projects with implementation delays, including three projects that had been so classified in 2002, and request that a report on those projects be submitted to the 41st Meeting;
 - (g) Also note that up to the end of May 2002, UNEP had 56 projects classified as completed for over one year with remaining balances totalling US \$377,865;
 - (h) Request UNEP to address any financial inconsistencies between the progress report data and the audited UNEP accounts in the context of the reconciliation of accounts pursuant to Decision 38/9(d), noting that overruns should not be allowed pursuant to Decision 17/22.

(e) UNIDO

34. The representative of UNIDO presented UNIDO's progress report on activities up to 31 December 2002 (UNEP/OzL.Pro/ExCom/40/17).

35. Following the presentation, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of UNIDO's progress report contained in UNEP/OzL.Pro/ExCom/40/17;
- (b) Monitor the following projects as projects with implementation delays and note their slow progress:
 - (i) methyl bromide phase-out plan in Turkey (TUR/FUM/35/INV/74);

- (ii) methyl bromide phase-out project in Uganda (UGA/FUM/34/INV/08);
 - (iii) methyl bromide demonstration project in Botswana (BOT/FUM/25/DEM/05);
 - (iv) methyl bromide demonstration project in Cameroon (CMR/FUM/25/DEM/16);
 - (v) methyl bromide workshop in Mali (MLI/FUM/26/TRA/12); and
 - (vi) methyl bromide demonstration project in Thailand (THA/FUM/25/DEM/97);
- (c) Note that UNIDO would report to the 41st Meeting of the Executive Committee on up to 26 projects with implementation delays, including 15 projects that had been so classified in 2002;
- (d) Also note that UNIDO had 90 projects classified as completed for over one year with remaining balances totalling US \$2,951,018;
- (e) Request UNIDO and the Secretariat to address the financial inconsistencies between UNIDO's progress report and the Secretariat's Inventory of Approved Projects in the context of the reconciliation of accounts to be submitted to the 41st Meeting.

(f) World Bank

36. The representative of the World Bank presented the World Bank's progress report on activities up to 31 December 2002 (UNEP/OzL.Pro/ExCom/40/18).

37. After some discussion on possible monitoring of projects with implementation difficulties, the implementation of SME foam projects in Indonesia, the transformation of the methyl bromide demonstration project in Ecuador into a technical assistance project, and the project preparation activities in Tunisia, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the World Bank's progress report contained in UNEP/OzL.Pro/ExCom/40/18;
- (b) Also note that 68 projects implemented by the World Bank were classified as projects with implementation delays;
- (c) Monitor the following projects as projects with implementation delays and note their slow progress:
 - (i) terminal phase-out management plan in the Bahamas (BHA/PHA/35/INV/08);

- (ii) MAC recovery and recycling project in Thailand (THA/REF/07/TAS/07);
 - (iii) chiller project in Thailand (THA/26/REF/INV/104);
 - (iv) halon fire extinguisher project in Thailand (THA/HAL/32/INV/34); and
 - (v) halon bank in Thailand (THA/HAL/29/INV/121);
- (d) Request the World Bank to implement the two SME foam projects in Indonesia (IDS/FOA/23/INV/77 and 78) as per the original project document and return any funds and agency fees associated with the remaining enterprises that had been closed or did not provide required data in project IDA/FOA/23/INV/78;
- (e) Reclassify the methyl bromide demonstration project in Ecuador (ECU/FUM/26/DEM/23) as a technical assistance project and that it would achieve additional phase-out of 15 ODP tonnes;
- (f) Cancel the foam project preparation activity in Tunisia (TUN/FOA/36/PRP/42) and request the World Bank to return all approved funds and agency fees;
- (g) Note that the World Bank had 34 projects classified as completed for over one year with remaining balances totalling US \$5,931,118;
- (h) Request the World Bank and the Secretariat to address the financial inconsistencies between the Bank's progress report and the Secretariat's Inventory of Approved Projects in the context of the reconciliation of accounts to be submitted to the 41st Meeting of the Executive Committee.

AGENDA ITEM 8: 2002 ACCOUNTS OF THE MULTILATERAL FUND

38. The Sub-Committee considered the audited accounts of the Fund for the years 1991-2001 and the provisional accounts for the year 2002 (UNEP/OzL.Pro/ExCom/40/19/Rev.1), which were presented by the Secretariat in the absence of the Treasurer.

39. Having received clarification from the Secretariat on what was represented by the amount of net income over expenditure shown in schedule 1.1 of the document, as well as explanations on the over-expenditures related to costs for personnel and meetings, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the report contained in UNEP/OzL.Pro/ExCom/40/19/Rev.1;
- (b) Request the implementing agencies to submit audited accounts for 2002 to the Treasurer in time for submission to the 41st Meeting of the Executive Committee.

AGENDA ITEM 9: EVALUATION OF THE 2002 BUSINESS PLANS

40. The Sub-Committee considered the report on evaluation of the implementation of the 2002 business plans (UNEP/OzL.Pro/ExCom/40/20 and Corr.1), which was introduced by the Secretariat.

41. Several representatives commended the Secretariat on an excellent and useful report. After some discussion on implementing agencies' performance against their 2002 business plan performance indicators, the Sub-Committee recommended that the Executive Committee note the evaluation of the implementing agencies' performance against their 2002 business plans as contained in UNEP/OzL.Pro/ExCom/40/20 and Corr.1.

AGENDA ITEM 10: PERFORMANCE INDICATORS (DECISION 38/69)

42. The Sub-Committee considered the document on performance indicators (Decision 38/69) (UNEP/OzL.Pro/ExCom/40/21), which was presented by the Secretariat.

43. After discussion on measuring performance during the compliance period and the need to devise key indicators aimed at measuring performance in terms of multi-year agreements, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the document on performance indicators presented in UNEP/OzL.Pro/ExCom/40/21;
- (b) Request the implementing agencies and invite Parties to submit proposals for performance indicators to the Secretariat eight weeks prior to the 41st Meeting of the Executive Committee;
- (c) Also request the Secretariat to prepare a paper based on the concepts outlined in UNEP/OzL.Pro/ExCom/40/21, comments provided by members of the Executive Committee during the 40th Meeting, and the input of the implementing agencies.

AGENDA ITEM 11: PHASE-OUT FROM CANCELLED PROJECTS (DECISION 39/13)

44. The Sub-Committee considered the document on phase-out from cancelled projects prepared in response to Decision 39/13 (UNEP/OzL.Pro/ExCom/40/22), which was introduced by the Secretariat.

45. The meeting discussed the need to specify reasons for project cancellation in decisions, cancellation resulting from lack of counterpart contributions, conditions for resubmission of cancelled projects and calculation of ODS phased out prior to project cancellation.

46. One representative drew attention to the need to advise the party concerned of the reasons for the cancellation of a project prior to the meeting of the Executive Committee.

47. The Sub-Committee recommended that the Executive Committee:
- (a) Take note of the document on phase-out from cancelled projects (UNEP/OzL.Pro/ExCom/40/22);
 - (b) Request that reasons for project cancellation be specified by the implementing agencies and taken into account by the Executive Committee in its decisions on project cancellation;
 - (c) Decide that projects cancelled due to the non-provision by the beneficiary of its non-incremental counterpart contributions may be resubmitted on a case-by-case basis;
 - (d) Consider, on a case-by-case basis, the resubmission of cancelled projects in cases where their completion enables compliance with control measures, provided that the enterprise is determined to be financially viable and, preferably, that the implementation timeframe is accelerated;
 - (e) Decide that enterprises with cancelled projects eligible for resubmission pursuant to Decision 29/8 may be allowed to submit a request to reinstate the cancelled projects with the incremental costs adjusted by the amount of funds disbursed on the cancelled projects, and the level of phase-out based on the original approval as modified by Decision 39/13(b).

AGENDA ITEM 12: PROJECT IMPLEMENTATION DELAYS

48. The Sub-Committee considered the report on project implementation delays (UNEP/OzL.Pro/ExCom/40/23), which was presented by the Secretariat.

49. Having considered the assessment of progress for some projects, the LCD projects in Morocco, and project cancellations, the Sub-Committee recommended that the Executive Committee:

- (a) Note the document on project implementation delays (UNEP/OzL.Pro/ExCom/40/23);
- (b) Also note with appreciation the reports submitted to the Secretariat on projects with implementation delays provided by Belgium, Germany and the four implementing agencies;
- (c) Further note that the Secretariat and implementing agencies would take established actions according to the Secretariat's assessment of status, i.e., progress, some progress, or no progress, and report to and notify governments as required;
- (d) Take note of the information given by UNEP that the project on adapting existing audiovisual material to promote control of illegal trade in ODS had been

completed (GLO/SEV/30/TAS/208);

- (e) Assign the assessment of no progress for the following projects, and note that the Secretariat would take the established actions:
 - (i) [Request the World Bank to complete the Auction programme in Chile (CHI/MUS/26/INV/37) for the remaining enterprise and invite UNDP to submit a terminal commercial/domestic refrigeration project for Chile in 2004, noting that the RMP approval for Chile should result in the phase-out of 186 ODP tonnes];
 - (ii) Army Company component of the 11-enterprise foam project in Egypt (EGY/FOA/22/INV/64), implemented by UNDP, with a milestone of stopping CFC use by December 2003; and
 - (iii) Kolinton refrigeration project in Nigeria (NIR/REF/26/INV/44), implemented by UNIDO, with a milestone of commissioning the equipment by 31 July 2003;
- (f) Defer any decision on cancellation of the following two projects until the 41st Meeting:
 - (i) Salidor foam project in Morocco (MOR/FOA/23/INV/13), implemented by UNDP;
 - (ii) Bonbino foam project in Morocco (MOR/FOA/25/INV/22), implemented by UNDP;
- (g) Request the Secretariat to visit the LCD foam projects in Morocco as part of its visits to LCD projects mandated by Decision 39/52 and to report on its findings to the 41st Meeting;
- (h) Cancel the following projects by mutual agreement;
 - (i) Handan Huisheng foam project in China (CPR/FOA/29/INV/323), implemented by the World Bank, noting that none of the US \$522,207 (plus US \$67,443 support costs) approved for the project had been disbursed and no ODS had been phased out;
 - (ii) Nobough foam project in Islamic Republic of Iran (IRA/FOA/32/INV/75), implemented by UNDP, noting that US \$179,055 (plus US \$23,277 support costs) of the US \$248,736 (plus US \$32,336 support costs) approved for the project had been disbursed and that 32 ODP tonnes had been phased out; and
 - (iii) Friobox foam project in Venezuela (VEN/FOA/31/INV/83), implemented by UNIDO, noting that US \$8,815 (plus US \$1,146 support costs) of the US \$128,387 (plus US \$16,690 support costs) approved for the project had

been disbursed and 1.1 ODP tonnes had been phased out;

- (i) Cancel the following project preparation activities implemented by UNIDO:
 - (i) for aerosol projects in Algeria (ALG/ARS/36/PRP/52), noting that no funds had been disbursed;
 - (ii) for CTC solvent sector projects in Brazil (BRA/SOL/33/PRP/205), noting that US \$3,183 (plus US \$414 support costs) of the US \$30,000 (plus US \$3,900 support costs) approved for the activity had been disbursed;
 - (iii) for soil fumigation projects in Islamic Republic of Iran (IRA/FUM/33/PRP/78), noting that US \$5,147 (plus US \$669 support costs) of the US \$25,000 (plus US \$3,250 support costs) approved for the activity had been disbursed;
 - (iv) for commercial refrigeration projects in Lebanon (LEB/REF/36/PRP/47), noting that no funds had been disbursed;
 - (v) for commercial refrigeration projects in the Libyan Arab Jamahiriya (LIB/REF/33/PRP/11), noting that no funds had been disbursed;
 - (vi) for solvent sector projects in Mexico (MEX/SOL/36/PRP/108), noting that no funds had been disbursed; and
 - (vii) for a terminal commercial refrigeration project in Yemen (YEM/REF/36/PRP/14), noting that US \$7,639 (plus US \$993 support costs) of the US \$10,000 (plus US \$1,300 support costs) approved for the activity had been disbursed;
- (j) Cancel the Adzen refrigeration project in Argentina (ARG/REF/19/INV/43) by mutual agreement between the World Bank and the Argentine Government, noting that none of the US \$356,970 (plus US \$46,406 support costs) approved for the project had been disbursed and no ODS had been phased out;
- (k) Set the milestone of 31 January 2004 as the deadline for the relocation of the enterprise for the Chandra refrigeration project in India (IND/REF/19/INV/92), implemented by the World Bank;
- (l) Set the milestone [to be provided by Belgium and Bolivia] for the conversion from CFC-11 to HCFC-141b technology in the manufacture of rigid polyurethane foam project at Quimica Andina in Bolivia (BOL/FOA/28/INV/10), implemented by Belgium.

AGENDA ITEM 13: PROJECT BALANCES

50. The Sub-Committee considered the report on completed projects with balances, the return of funds from cancelled projects and other project adjustments (UNEP/OzL.Pro/ExCom/40/24 and Corr.1), which was presented by the Secretariat.

51. After considering the disbursements reported to the 38th Meeting and the balances from projects completed over two years previously, and following discussion on the World Bank's request to change the status of a project in Jordan from completed to ongoing, taking into account the information provided by the World Bank during the meeting, the Sub-Committee recommended that the Executive Committee:

- (a) Take note of the report on project balances contained in UNEP/OzL.Pro/ExCom/40/24 and Corr.1;
- (b) Also note that, during 2003, the agencies had the following reduced balances for projects completed up to the end of May 2002: UNDP from US \$4,774,693 to US \$2,420,094, UNEP from US \$377,865 to US \$0, UNIDO from US \$2,951,018 to US \$1,214,338 and the World Bank from US \$5,931,118 to US \$1,026,054.
- (c) Further note that the Government of Canada had returned US \$2,600 to the Treasurer in respect of refrigeration project preparation in Cuba (CUB/REF/25/PRP/09);
- (d) Request that the data concerning the refrigeration project at Hitachi Consumer Products Co. Ltd. in Thailand (THA/REF/10/INV/20) be addressed in the annual reconciliation of accounts to be presented to the 41st Meeting of the Executive Committee;
- (e) Note with appreciation the letters from the Administrator of UNDP and the Director-General of UNIDO regarding non-reimbursed balances for projects completed two years previously;
- (f) Request the Government of Jordan to resolve the issue concerning the audit bureau, and request the World Bank to financially complete the Fathai Abu Araj foam project in Jordan (JOR/FOA/23/INV/37) as approved and return the US \$7,000 plus agency fees identified by the audit bureau for the training component of the project;
- (g) Note with concern that disbursements reported to the 38th Meeting were inaccurate, and request UNDP, UNEP, and the World Bank to ensure that future reports on balances are accurate, comply with Executive Committee financial reporting decisions, and distinguish disbursements from obligated and un-obligated balances;
- (h) Also note the levels of funds being returned to the 40th Meeting totalling

US \$2,389,992, plus support costs of US \$524,214, as follows by agency: US \$1,408,378 from UNDP and agency support costs of US \$181,335, including reimbursement of funds previously returned in error for two projects by UNDP; US \$1,265,686 from UNEP and agency support costs of US \$105,255; US \$221,769 from UNIDO and agency support costs of US \$28,828; and the return of US \$505,841 to the World Bank, as well as the return by the World Bank of agency support costs of US \$208,796, including the reimbursement of funds returned in error by the Bank for two projects and reimbursement of financial intermediary fees for cancelled projects;

- (i) Further note that the following implementing agencies had balances totalling US \$930,834, excluding support costs, from projects completed over two years previously: UNDP (US \$527,816 plus support costs); and the World Bank (US \$403,018 plus support costs).

AGENDA ITEM 14: REPORT ON THE STATUS OF ARTICLE 5 COUNTRIES IN ACHIEVING COMPLIANCE WITH THE INITIAL AND INTERMEDIATE CONTROL MEASURES OF THE MONTREAL PROTOCOL

52. The Sub-Committee considered the updated report on the status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol (UNEP/OzL.Pro/ExCom/40/25/Rev.1), which was presented by the Secretariat. The document contained two parts: Part I, which had been prepared in response to Decision 32/76(b) and contained analyses of potential compliance for CFCs, halons, methyl bromide, carbon tetrachloride (CTC) and methyl chloroform (TCA); Part II contained an analysis of the ODS consumption data by sector presented to the Executive Committee by Article 5 countries in connection with the implementation of their country programmes.

53. After discussion concerning status of compliance and data on the implementation of country programmes, the 2002 data for countries found to be in non-compliance by the Fourteenth Meeting of the Parties and the need to address the situation of countries with very low consumption of CTC, methyl bromide and TCA but not included in any of the agencies' three-year business plans, the Sub-Committee recommended that the Executive Committee:

- (a) Note the report on the status of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol, as contained in UNEP/OzL.Pro/ExCom/40/25/Rev.1, which also included data on the implementation of country programmes in Part II;
- (b) Urge implementing and bilateral agencies, as well as the relevant Article 5 countries, to adhere to the timely implementation of the 2003 business plans;
- (c) Note with appreciation that 2002 data reported to the Fund Secretariat were below the CFC freeze baseline levels for the following countries found to be in non-compliance by the Fourteenth Meeting of the Parties: Bangladesh, Belize, Bolivia, Cameroon, Ethiopia, Namibia, Nepal and Nigeria, noting that the

assessment of compliance by the Implementation Committee would be based on data reporting for the control period, which, for 2002, was 1.5 years;

- (d) Request the implementing and bilateral agencies, in particular UNEP, to assist countries identified in the status report as consuming small amounts of methyl bromide, CTC and TCA but not included in any of the agencies' three-year business plans for the triennium, to determine the proportion of such consumption that is eligible for phase-out.
- (e) Also request bilateral and implementing agencies to include activities, after verifying eligible consumption, in their 2004/2005 business plans for the following countries:

Algeria (CTC/TCA), Bahamas (CTC), Bahrain (methyl bromide, CTC), Burundi (TCA), Croatia (CTC), Cuba (CTC), Ecuador (CTC/TCA), Fiji (methyl bromide), Haiti (halon, TCA), Indonesia (CTC), Mexico (CTC), Morocco (halon, CTC), Nigeria (TCA), Paraguay (methyl bromide/CTC), Peru (CTC), Sudan (CTC), Tunisia (CTC), Uganda (CTC, TCA), Uruguay (CTC), Yemen (TCA), Zambia (CTC), and Zimbabwe (CTC/TCA).

AGENDA ITEM 15: OTHER MATTERS

- 54. There were no matters discussed under this agenda item.

AGENDA ITEM 16: ADOPTION OF THE REPORT OF THE SUB-COMMITTEE

- 55. The Sub-Committee adopted the present report on the basis of the draft report contained in documents UNEP/OzL.Pro/ExCom/SCMEF/20/L.1 and Add.1.

AGENDA ITEM 17: CLOSURE OF THE MEETING

- 56. The Chairman declared the meeting closed at 5 p.m. on Tuesday, 15 July 2003.
