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NINTH MEETING OF THE PARTIES TO  
THE MONTREAL PROTOCOL ON SUBSTANCES  
THAT DEplete THE OZONE LAYER  
Montreal, 15-17 September 1997

**REPORT OF THE EXECUTIVE COMMITTEE  
TO THE NINTH MEETING OF THE PARTIES**



## Introduction

1. This report is submitted in response to the terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro.4/15, Annex X) which require the Executive Committee to report annually to the Meeting of the Parties.

2. During the reporting period, the Twenty-first and Twenty-second meetings of the Executive Committee were held in Montreal from 18 to 20 February 1997 and in Nairobi from 28 to 30 May 1997. The meetings of the Executive Committee were attended by Australia, Belgium, Japan, Switzerland, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Antigua and Barbuda, China, Costa Rica, India, Peru, Senegal and Zimbabwe, representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. D. Turner (United Kingdom) and Mr. M.A. Gonzalez (Costa Rica) acted as Vice-Chairman. Mr. Omar E. El-Arini, Chief Officer, acted as Secretary.

## Procedural Matters

### Sub-Committee on Project Review

3. The two meetings of the Executive Committee were preceded by two meetings of the Sub-Committee on Project Review, composed of the representatives of India, Peru, Senegal, Switzerland (Chairman), the United Kingdom and the United States of America. The Sub-Committee considered projects and activities and related policy issues and made recommendations to the Executive Committee thereon.

### Sub-Committee on Monitoring, Evaluation and Finance

4. Having considered a report on a monitoring and evaluation system for the Multilateral Fund, the Executive Committee at its twenty-first meeting decided to replace the Sub-Committee on Financial Matters with a standing Sub-Committee on Monitoring, Evaluation and Finance with the terms of reference set out in Annex VII of the report of that meeting (UNEP/OzL.Pro/ExCom/21/36).

5. Accordingly, the Sub-Committee on Monitoring, Evaluation and Finance, composed of the representatives of Antigua and Barbuda, Australia (Chairman), Belgium, Costa Rica, the United Kingdom of Great Britain and Northern Ireland and Zimbabwe, met in conjunction with the twenty-second meeting of the Executive Committee to consider, *inter alia*, the 1997 business plans of the implementing agencies and the three-year (1997-1999) business plan of the Multilateral Fund, the cycle of business planning and the submission of work programmes, the status report on the phase-out of ozone-depleting substances in Article 5 countries, a set of indicators for the evaluation of the performance of the implementing agencies, and the work

programme and work plan for the monitoring and evaluation of activities supported by the Multilateral Fund.

#### Subgroup on the Production Sector

6. The Executive Committee's Subgroup on the Production Sector, composed of the representatives of Australia, China, Costa Rica, India, United Kingdom of Great Britain and Northern Ireland, and United States of America, held two meetings, in conjunction with the meetings of the Executive Committee, to continue its consideration of the recommendations of the Expert Group on the Production of Substitutes for Ozone-depleting Substances.

#### Group on Technology Transfer

7. At its twenty-second meeting, the Committee received an interim oral report from the Facilitator of the Group on Technology Transfer, established in accordance with decision VIII/7 of the Eighth Meeting of the Parties, which had held its first meeting on Monday, 26 May 1997, in Nairobi. The Facilitator reported that the Ozone Secretariat would obtain additional information from all Parties.

#### Timing of Meetings and Term of Office of the Executive Committee

8. At its twenty-second meeting, the Executive Committee decided, in order to allow more stability and better planning in the operations of the Multilateral Fund, to submit to the Ninth Meeting of the Parties a recommendation that, beginning with the current year, the Executive Committee's term of office should be a calendar year, thus removing the direct linkage with the date of the Meeting of the Parties at which the new composition of the Executive Committee is decided. A draft decision to that effect will be before the Ninth Meeting of the Parties. In this context, the Executive Committee also decided to recommend to the Meeting of the Parties that it should hold three meetings a year, while retaining the flexibility to take advantage of the opportunity provided by other Montreal Protocol meetings to convene additional meetings where special circumstances made this desirable. The new schedule of meetings should be put into effect as soon as possible and, therefore, its twenty-third meeting should be held in late November or early December 1997. The calendar of meetings and the work programme adopted by the Committee are contained in Annex II to the report of the twenty-second meeting (UNEP/OzL.Pro/ExCom/22/79/Rev.1).

### **Financial matters**

#### Status of Contributions and Disbursements

9. As at 31 July 1997, the total income to the Multilateral Fund, including interest and miscellaneous income, amounted to US \$669,740,752. The allocations against this income totalled US \$646,339,638. The balance available amounted to US \$23,401,114. The yearly distribution of contributions against pledges is as follows:

Year	Pledges US \$	Contributions US \$	Arrears/outstanding contributions US \$
1991	53,308,224	46,830,898	6,477,326
1992	73,322,709	63,544,667	9,778,042
1993	112,897,375	99,980,702	12,916,673
1994	148,369,289	131,745,496	16,623,793
1995	148,426,162	130,468,995	17,957,167
1996	151,881,159	124,515,785	19,267,107
<b>TOTAL (1991-1996)</b>	<b>688,204,918</b>	<b>597,086,542</b>	<b>83,020,109</b>
1997 (to date)	157,076,159	30,838,002	126,238,157

#### Contributions in arrears

10. As at 31 July 1997, arrears for 1991-1996 stood at US \$83,020,109. Outstanding contributions for 1996 only, amounted to US \$19,267,107.

#### Bilateral contributions

11. During the period under review, the Executive Committee approved requests to credit bilateral assistance amounting to a total of US \$1,147,042. This brings the total for bilateral cooperation to US \$17,840,574, which represents 2.8 per cent of paid contributions to the Fund. The range of bilateral projects approved included demonstration projects, training workshops, technology transfer workshops, country programme preparation and project preparation.

### **Fund Achievement**

12. During the period under review, the Executive Committee approved 193 projects and activities with a planned phase-out of 10,842 ODP tonnes of controlled substances and allocated US \$85,179,076 for their implementation.

#### Total ODS phase-out

13. Up to the end of 1996, the implementation of projects supported by the Multilateral Fund has resulted in the phase-out of 20,004 ODP tonnes of ODS with the following sectoral distribution: foam: 7,372 ODP tonnes, refrigeration: 4,292 ODP tonnes, halon: 4,055 ODP tonnes, aerosol: 3,817 ODP tonnes, and, solvents: 468 ODP tonnes.

#### Regional distribution of projects

14. By region, 813 activities have been approved in Asia and the Pacific, followed by Latin America and the Caribbean (487 activities), Africa (318 activities), and Europe (57 activities). Additionally, 135 global activities have been approved since the inception of the Fund.

Investment projects

15. During the period under review, the Executive Committee approved US \$70,572,847 (including agency support costs) for 142 investment projects. The implementation of these projects will eliminate an estimated quantity of 10,842 ODP tonnes of ozone-depleting substances. A breakdown by sector is as follows:

Sectors	ODP tonnes to be phased out	Total allocation (US \$)
Aerosol	1,497	4,464,232
Foam	3,433	20,018,609
Tobacco fluffing	90	1,371,820
Refrigeration	5,593	42,325,055
Solvent	229	2,393,131

Country programmes

16. During the period under review, the Executive Committee approved 9 additional country programmes. This brings the total number of approved country programmes to 86, covering the estimated production of 68,937 ODP tonnes and the consumption of 152,311 ODP tonnes of controlled substances. In approving the country programmes, the Executive Committee requested the Parties concerned to provide information annually on progress being made with their implementation.

Institutional strengthening

17. During the period under review, US \$1,287,848 was approved for the commencement of institutional-strengthening projects in 8 Article 5 countries and renewal of 6 existing institutional-strengthening projects. This brings the total funding approved by the Committee for this purpose to US \$16,117,474 in 82 Article 5 countries.

18. At its twenty-second meeting, the Executive Committee considered a proposal for an institutional strengthening project from one country recently reclassified as operating under paragraph 1 of Article 5. In the light of decision VI/5 paragraph (e), of the Sixth Meeting of the Parties, the Executive Committee urged the country not to seek support from the Multilateral Fund.

Technical assistance and training

19. Since the inception of the Multilateral Fund, a total of 354 technical assistance projects and activities have been approved, at a total cost of US \$58,270,883, for workshops, awareness campaigns, recovery and recycling programmes, training programmes, the development of sectoral phase-out strategies, and project preparation. The total includes 108 training programmes at the national, regional or global levels costing US \$11,199,002. To date,

34 national training programmes in 19 Article 5 countries, 27 regional workshops and 15 global training activities have been completed.

Allocations to implementing agencies

20. During the period under review, the Executive Committee approved the following allocations to the implementing agencies, including agencies' support costs, for investment projects and non-investment projects and activities:

UNDP	US \$21,962,672
UNEP	US \$ 5,189,683
UNIDO	US \$22,726,459
World Bank	US \$34,153,219

Disbursement by the implementing agencies

21. The table below gives the amounts allocated to, and disbursed by, each of the implementing agencies for activities approved since 1991.

Agency	Funds allocated	Funds disbursed (to end-1996)
UNDP	178,499,910	52,096,176
UNEP	27,279,125	14,228,857
UNIDO	125,643,949	43,640,899
World Bank	273,600,566	78,203,730
Bilateral	17,840,574	9,893,167
<b>TOTAL:</b>	<b>622,864,124</b>	<b>198,062,829</b>

Slow disbursement and delays in project implementation

22. At its twenty-second meeting, the Executive Committee decided that the implementing agencies should prepare a report with a full explanation of the reason for the delay of projects where no disbursement had occurred 18 months after the date of their approval or for projects which had not been completed 12 months after their proposed completion date. Those reports should contain the comments received from the Article 5 countries and enterprises concerned. On the basis of the experience gained through consideration of these reports, the Committee would consider the development of guidelines to ensure that the project preparation process included measures to prevent any delays in implementation or completion in the future.

23. The Executive Committee decided to address the following additional reasons for delays in implementation at its next meeting: changes in project specification by the beneficiary; enterprises refraining from implementing their projects until their competitors' projects had been approved or government regulations had been enacted; the bidding process resulting in higher costs; the difficulty of obtaining agreements on the transfer of technology; prolonged contract

negotiations; changes in technology; differences in appraised tonnage, and; completion of grant agreements.

## **Resource Management**

### Three-year (1997-1999) business plan of the Multilateral Fund

24. The Executive Committee endorsed targets for ODS approvals and expenditures for the triennium 1997-1999 in the context of the Three-year Business Plan for the Multilateral Fund. The targets established by the Executive Committee were based on; (i) the commitment of the entire 1997-1999 budget approved by the Eighth Meeting of the Parties during the triennium period; (ii) the amounts that, based on historical precedent it knew would actually be paid into the Multilateral Fund, and (iii) allocation of the entire carry-over of US \$74 million from 1996 to the 1997 budget, to assist all countries in meeting their 1999 freeze obligations. The Executive Committee decided that eligible projects for which no funding was immediately available would, as in the past, be cleared for approval pending receipt of the necessary funds and that it would review annually the level of pledged funds that were actually paid into the Multilateral Fund.

25. The Executive Committee decided at its twenty-second meeting to request the Secretariat to send letters around mid-year to all countries involved in bilateral activities, asking whether they intended to utilize the full amount allocated to them for bilateral activities. If they did not intend to do so, those funds could be reallocated.

26. The Executive Committee also provided direction to the implementing agencies in regard to its business planning priorities, including: (i) giving priority to approving projects in 1997 and the first half of 1998 with the highest ODP value and short implementation duration for countries that had yet to meet their freeze obligations in order to curtail the growth of ODS consumption in these countries; (ii) continuing to provide funding for all ODS consumption sectors to enable all Article 5 countries to maintain the momentum of phaseout; (iii) continuing the practice of setting up a special allocation for low-volume consuming countries and, in addition giving priority to low-volume consuming countries which had received no funding from the Multilateral Fund; (iv) continuing to allocate a high priority to halon projects including consideration of the first sectoral phase-out programme from an Article 5 country in the halon sector, and; (v) considering the funding of full and gradual closure projects in the production sector during this triennium.

27. In regard to wider applicability of the initial guidance on sectoral strategies, the Executive Committee decided that, in order to enable an Article 5 country to comply with the provisions of the Montreal Protocol, the concerned country may select a sector, project-by-project or any other approach agreeable to the Executive Committee for accessing the Multilateral Fund.

1997 business plans of the implementing agencies

28. In relation to the 1997 business plans of the implementing agencies, the Executive Committee:

- (a) requested that the low level of disbursement in some countries be taken into account when considering future project preparation and approval for those countries;
- (b) encouraged the implementing agencies to develop contingency portfolios of projects that could replace projects awaiting the adoption of policy guidelines if the necessary guidelines had not been adopted by the end of 1997;
- (c) directed that priority for project preparation funding should be given in the future to low volume consuming countries that had received no funding from the Multilateral Fund and, if funds were available, during 1997, and;
- (d) urged Article 5 Parties to exempt from taxes or duties any equipment bought under the Multilateral Fund and urged the implementing agencies and the Secretariat to pursue their efforts to resolve this problem with relevant countries, including, if appropriate, an exchange of letters.

Meeting the 1999 Freeze

29. At its twenty-second meeting, the Executive Committee reaffirmed the importance of its previous decisions to include in the project documents a brief description of how the project would contribute to helping the country concerned achieve the 1999 freeze, and recommended that the requirement of those decisions could be effected by including the sector background in the project description being circulated to members of the Executive Committee.

30. The Committee strongly encouraged Article 5 countries to provide their own assessment of whether they would be able to meet the 1999 freeze and decided that the Secretariat, working with the implementing agencies, should develop and distribute a questionnaire seeking that assessment from Article 5 Parties.

31. At its twenty-second meeting, the Executive Committee considered a summary status report on ODS phase-out in Article 5 countries (UNEP/OzL.Pro/ExCom/22/12). The Committee decided that the report should be updated on an annual basis and that future status reports should include information on CFC production and consumption, CFC freeze level data on the basis of the 1995-1997 baseline and halon production and consumption, as well as general information on overall economic growth.

### Methyl Bromide

32. In the reporting period, six demonstration projects on alternatives to the use of methyl bromide were approved by the Executive Committee in Brazil, China, Guatemala, Kenya and Morocco. The projects will involve, *inter alia*, the field testing of alternatives to methyl bromide use in grain storage and crop production including the use of alternative fumigants and integrated pest management techniques. The Executive Committee noted the possibility that the US \$3 million previously included in the 1997 business plan for such projects, as part of a US \$10 million allocation for the period 1997-1999, would be exceeded. The Committee decided that the US \$3 million for 1997 could be exceeded, if necessary, but that any adjustment of allocations would have to be approved by the Executive Committee.

### Refrigerant Management Plans

33. At its twenty-second meeting, the Executive Committee requested that draft guidelines for refrigeration management plans be reviewed for consideration at its twenty-third meeting. Additionally, the Executive Committee authorized low-volume-consuming countries for which country programmes have been approved and which now need to take near-term action in this area to meet the freeze, to submit refrigeration management plans based on the draft guidelines recommended by the Sub-Committee on Project Review, along with any associated projects, to the next meeting of the Executive Committee. The Executive Committee approved US \$200,000 for this purpose.

34. In cases where country programmes for very-low-volume or low-volume-consuming Parties have yet to be started, the Executive Committee requested UNEP to reach out to those countries to develop refrigeration management plan/country programme combination documents based on the draft guidelines, and authorized US \$200,000 for this work.

35. The Executive Committee urged the implementing agencies not to view these new tasks as an opportunity to develop recycling programmes, but rather as an opportunity to help countries think through the measures they need to take to facilitate compliance with the Protocol. The Committee concluded that recycling projects should not be proposed unless there are incentives or regulatory measures that will be in place prior to proposed implementation of any proposed recycling projects to ensure that such projects will be sustainable.

### Concessional lending

36. During the period under review, the Executive Committee continued seeking innovative proposals to mobilise additional funds. In this regard, at its twenty-first meeting, the Executive Committee invited the Secretariat and the implementing agencies to submit an innovative proposal for demonstration projects to illustrate how concessional lending and other forms of innovative funding, including financing from the private sector, can be used to advance the ODS phase-out for projects that may not otherwise be eligible for full funding in the form of grants from the Multilateral Fund. Subsequently, the Committee approved funding for the World Bank to prepare a comprehensive report that would explore ways in which private-sector finance can be mobilised

to assist Article 5 countries in phasing out ozone-depleting substances, particularly in sectors with a good return on investments in ozone-friendly technologies. The report would also provide a final theoretical overview of ways in which concessional funding and other forms of innovative funding, including on-lending, can be used to augment and make most effective use of the resources of the Multilateral Fund.

#### Administrative costs of the implementing agencies

37. The Committee decided at its twenty-first meeting that an independent consultant should be recruited to work with the Secretariat and implementing agencies to identify options and approaches for reducing the overall level of administrative costs, focusing on revising the current uniform, fee-based system. The report is expected to be finalised later in 1997. The Executive Committee will consider the consultant's report at its twenty-third meeting.

#### Monitoring and Evaluation of Fund's Activities

38. At its twenty-second meeting, the Executive Committee approved a 12-month programme of work which includes evaluation of completed investment projects in the refrigeration and foam sectors and evaluation of a range of non-investment projects with a focus on training and institutional strengthening. The Executive Committee also approved the preparation of an evaluation guide, performance indicators for non-investment projects, formats for project completion reports, a standardised component on monitoring and evaluation for project proposals and action-oriented indicators for monitoring progress.

39. In addition, at its twenty-second meeting, the Executive Committee approved, on an interim basis for use in 1997, a set of performance indicators for investment and non-investment projects to provide a basis for the evaluation of the performance of the implementing agencies (UNEP/OzL.Pro/ExCom/22/14). At the same time, the Committee took note of the concerns expressed regarding the need to evaluate the performance of all players, including the Secretariat, in the project approval and implementation process.

40. The Executive Committee decided at its twenty-first meeting that there should be a modest strengthening of the Secretariat in order to enable it to perform monitoring and evaluation on a continuous basis, and approved a budget for 12 person-months for these tasks.

### **Policy matters**

#### Incremental costs of ODS phase-out in the production sector

41. In the reporting period, the Executive Committee continued through its Subgroup on the Production Sector, the task of developing guidelines for the determination of incremental costs in the production sector. At its twenty-first meeting, the Executive Committee requested the Secretariat to bring together a consultant and a core group of four members of the Expert Group on the Production of Substitutes for Ozone-depleting Substances to describe the relative

sensitivity of total funding requirements to changes in the various parameters that were recommended by the Expert Group, so that interested parties could test the sensitivity of the overall levels of funding to changes in those parameters.

42. At its twenty-second meeting, the Committee recognised that there remained a number of complex issues which would merit further discussion by the Subgroup, and requested the Subgroup to meet in September 1997 to discuss those issues and to review a consolidated report to be prepared by the Secretariat. The Committee further requested the Secretariat to advise the Subgroup, at its meeting in September 1997, whether resources were available to permit the Subgroup to hold an additional meeting prior to December 1997.

#### Options to advance phase-out in the Small and Medium-sized Enterprises (SME) sector

43. The Executive Committee continued to pursue approaches to advance the phase-out in the SME sector. A contact group comprised of representatives from Australia, China, Costa Rica, India, Peru, Switzerland, United Kingdom and United States of America, was established at the twenty-second meeting to continue discussion on the way ahead. In that context, members of the contact group were requested to provide information on: (i) national experience in managing the ODS phase-out by SMEs; (ii) problems and challenges in achieving phase-out by SMEs in their country, and; (iii) proposals on national strategies and plans to move ahead on SMEs phase-out. The Executive Committee also decided to set up a pilot programme on SMEs at its next meeting. For that purpose, the contact group was requested to present proposals on: (i) the sector/subsectors to be focused on, and; (ii) the criteria to be applied.

#### Data reporting

44. At its twenty-second meeting, the Executive Committee decided that beginning in 1998, the baseline year of the Montreal Protocol would be used as the baseline year for the reporting of ODS consumption data to the Multilateral Fund, but concluded that until it is feasible to use the Protocol baseline year, the baseline data from the country programme, the consumption data from the previous year and the unconstrained growth indicated in the country programme would be used. In addition, the date of 1 May of each year was adopted as the new deadline for submission of data on the progress of implementation of country programmes for the preceding year. The new deadline will take effect in 1998.

#### Project related guidelines

45. Additionally, during the period under review, the Executive Committee adopted a number of specific guidelines or policy decisions relating to investment projects, including: multi-phase projects; change of technology in approved projects; incremental operating costs for projects in the domestic and commercial refrigeration-compressor subsectors; counterpart funding, preparation of recovery and recycling projects within the context of refrigerant management plans; and certification of destruction of replaced CFC equipment. The Executive Committee also commissioned additional work on, *inter alia*: new guidelines for liquid carbon dioxide technology

in the foam sector; guidelines for refrigerant management plans, and; integrated phase-out plans for country programme implementation in low-volume consuming countries.

### **Matters relating to the Meeting of the Parties**

46. In response to Decisions VIII/5 and VIII/7, the Executive Committee submitted its report on actions taken to improve the financial mechanism for the implementation of the Montreal Protocol to the Ninth Meeting of the Parties through the Fifteenth Meeting of the Open-Ended Working Group (UNEP/OzL.Pro/WG.1/15/4).

### **Fund Secretariat Activities**

47. In the reporting period the Fund Secretariat prepared documentation and provided conference services for the Twenty-first and Twenty-second Meetings of the Executive Committee, two meetings of the Sub-Committee on Project Review, one meeting of the Sub-Committee on Monitoring, Finance and Evaluation, and two meetings of the Subgroup on the Production Sector.

48. The Fund Secretariat analyzed and reviewed proposals for 173 investment projects and activities from implementing agencies and bilateral donors and commented on 9 country programmes. Comments and recommendations were provided as appropriate on all proposals submitted for the consideration of the Executive Committee.

49. The Fund Secretariat prepared or contributed to the preparation of 22 papers on emerging or on-going policy issues. In addition to specific policy papers, the Fund Secretariat presented other operational policy issues to the Executive Committee in the overview papers prepared for each meeting. Additionally, the Fund Secretariat recruited and worked with a consultant to propose a report on options and approaches for reducing the overall level of administrative costs. Also, to implement the decisions taken by the Executive Committee at its twenty-first and twenty-second meetings on monitoring and evaluation, the Fund Secretariat guided and managed the work of a consultant in preparing a proposed 12-month programme of work, an evaluation guide, and performance indicators for non-investment projects and for monitoring progress. The Fund Secretariat made presentations, or was otherwise represented at seminars, workshops and meetings during the reporting period.

50. The Fund Secretariat prepared a draft three-year rolling business plan for the years 1996-1998 of the Multilateral Fund, and a report on actions that the Executive Committee had taken pursuant to Decision VIII/5 and VIII/7 of the Eighth Meeting of the Parties to the Montreal Protocol to improve the financial mechanism for the implementation of the Protocol.

51. In response to decisions of the Executive Committee, the Fund Secretariat convened two meetings of the Subgroup on the Production Sector in February and May 1997. During the reporting period, the Fund Secretariat also convened two coordination meetings with the

implementing agencies to define the programme of activities and actions necessary to implement the decisions taken by the Executive Committee and to ensure full coordination of agencies' on-going programmes.

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

#### **Reports of the Executive Committee**

53. The reports of the Twenty-first and Twenty-second Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/21/36 and UNEP/OzL.Pro/ExCom/22/79/Rev.1) have been distributed to all Parties to the Montreal Protocol.