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THIRTEENTH MEETING OF THE PARTIES TO
THE MONTREAL PROTOCOL ON
SUBSTANCES THAT DEplete
THE OZONE LAYER
Colombo, 16-19 October 2001

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

Introduction

1. The terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro.9/12, Annex V) require the Executive Committee to report annually to the Meeting of the Parties. The present report, which covers the activities undertaken by the Executive Committee since the Twelfth Meeting of the Parties, is submitted in fulfilment of that requirement. The report includes an annex (Annex I), prepared in response to Decision X/31, updating information on actions taken by the Executive Committee to improve the financial mechanism.

2. During the reporting period, the 33rd and 34th Meetings of the Executive Committee were held in Montreal from 28 to 30 March 2001 and from 18 to 20 July 2001, respectively. The reports of those meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/33/32 and UNEP/OzL.Pro/ExCom/34/58 and Corr.1.

3. In accordance with Decision XII/4 of the Twelfth Meeting of the Parties, the meetings of the Executive Committee were attended by Australia, Finland, Germany (Chair), Japan, Netherlands, Poland, and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Colombia, Dominican Republic, India,

Jordan, Malaysia, Nigeria and Tunisia (Vice-Chair), representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. Heinrich Wilhelm Kraus (Germany) and Mr. Hassen Hannachi (Tunisia) acted as Vice-Chair.

4. Mr. Omar E. El-Arini, Chief Officer, acted as Secretary for the meetings.

A. Procedural matters

Sub-Committee on Monitoring, Evaluation and Finance

5. The Sub-Committee on Monitoring, Evaluation and Finance, composed of the representatives of Australia, Dominican Republic, Finland, Jordan, Netherlands, Nigeria, and Poland met back-to-back with the meetings of the Executive Committee. Reports of the Sub-Committee are provided in UNEP/OzL.Pro/ExCom/33/3 and UNEP/OzL.Pro/ExCom/34/4.

Sub-Committee on Project Review

6. In the reporting period, the Sub-Committee on Project Review, composed of the representatives of Colombia, Germany, India, Japan (Chair), Malaysia, Tunisia, and the United States of America, met back-to-back with the meetings of the Executive Committee. Reports of the Sub-Committee are provided in UNEP/OzL.Pro/ExCom/33/17, and UNEP/OzL.Pro/ExCom/34/18.

Subgroup on the Production Sector

7. The Subgroup on the Production Sector, reconstituted by the Executive Committee at its 33rd Meeting and composed of the representatives of Australia (facilitator), Colombia, Dominican Republic, Germany, India and the United States of America, held two meetings in 2001, during the meetings of the Executive Committee. The representatives of UNIDO and the World Bank attended the meetings of the Subgroup as observers.

B. Financial matters

Status of contributions and disbursements

8. As at 20 July 2001, the total income to the Multilateral Fund, including interest, bilateral contributions and miscellaneous income, amounted to US \$1,298,805,472, and the total disbursement amounted to US \$1,266,413,457. The balance available at 20 July 2001 amounted to US \$32,392,015.

9. The yearly distribution of contributions against pledges is as follows:

Year	Pledges US \$	Contributions US \$	Arrears/outstanding contributions US \$
1991	53,208,224	46,830,898	6,377,326
1992	72,797,293	63,544,667	9,252,626
1993	108,923,724	99,983,574	8,940,150
1994	142,630,330	130,925,645	11,704,685
1995	142,404,091	130,699,406	11,704,685
1996	139,806,926	131,776,809	8,030,117
1997	157,144,159	140,244,319	16,899,841
1998	157,545,040	140,656,331	16,888,709
1999	157,897,921	141,635,084	16,262,837
2000	146,666,667	142,870,471	3,796,196
2001	146,666,667	34,131,531	112,535,136
Total:	1,425,691,042	1,203,298,735	222,392,308

Contributions in arrears

10. As at 20 July 2001, arrears for 1991-2000 stood at US \$109,857,172. Of this amount, US \$92,471,216 is associated with countries with economies in transition (CEITs), and US \$17,385,956 is associated with non-CEIT countries. Outstanding contributions for 2001 amounted to US \$112,535,136.

Bilateral contributions

11. During the period under review, the Executive Committee approved requests to credit bilateral assistance amounting to a total of US \$6,102,858. This brings the total for bilateral cooperation to US \$44,017,599, which represents approximately 4.2 per cent of funds approved. The range of bilateral projects approved included a halon sector phase-out programme, a training programme, projects in the refrigeration sector, regional projects for the Asia and the Pacific region, refrigerant management plans and projects for methyl bromide phase-out.

Issues pertaining to contributions

12. As a follow-up to Decision 32/2, the Treasurer presented to the Executive Committee at its 33rd Meeting a status report on the implementation of the fixed exchange-rate mechanism, which was noted with appreciation at that meeting. At the 34th Meeting, the Treasurer presented an update on the fixed exchange-rate mechanism. The Committee took note with appreciation of the updates from the Treasurer and noted the loss hitherto (US\$ 10.7 million) to the Multilateral Fund due to the fixed exchange-rate mechanism.

C. Business Planning and Resource Management

2001 business plans of the Multilateral Fund

13. The consolidated business plan of the Multilateral Fund consists of the business plans of the four implementing agencies and those non-Article 5 countries which have bilateral cooperation programmes. Consistent with Decision XI/7 of the Eleventh Meeting of the Parties concerning replenishment of the Multilateral Fund, resource allocation for the consolidated business plan of the Multilateral Fund for the year 2001 was based on a budget level of US \$170.8 million for future phase-out of 14,960 ODP tonnes of consumption and 9,170 ODP tonnes of production of ozone-depleting substances (ODS). At its 33rd Meeting the Executive Committee noted the 2001 consolidated business plan of the Multilateral Fund. The Committee adopted a target for disbursement to beneficiary enterprises of funds already approved of US \$118 million and a phase-out target of 13,926 ODP tonnes in the year 2001, and endorsed the individual business plans of the implementing agencies for the year 2001, based on these target figures.

14. At the same meeting, the Executive Committee requested the Secretariat to send a letter to Article 5 countries in the context of future business planning to advise on what was left of ODS consumption in their domestic and commercial refrigeration manufacturing sub-sectors.

D. Fund achievement

Total ODS phased-out

15. Since 1991, 1744 projects and activities have been approved for countries in Asia and the Pacific; 1021 for countries in Latin America and the Caribbean, 720 for countries in Africa, 167 for countries in Europe and 232 with global coverage. Of the 193,000 ODP tonnes of ODS to be eliminated when all these projects are implemented, a total of 142,000 ODP tonnes of ODS has already been phased out as of the end of 2000. The sectoral distribution of this phase-out is indicated in the table below:

Sectors	ODP tonnes phased out
Aerosol	21,848
Foam	27,204
Fumigant (methyl bromide)	56
Halon: production and consumption	55,369
Projects in multiple sectors	36
Process agent	0
Production (CFC)	13,511
Refrigeration	21,629
Solvent	1,615
Sterilant	21
Tobacco expansion	404
Total:	141,693

Funding and disbursement

16. The total funds approved since 1991 by the Executive Committee to achieve this phase-out and to implement both ongoing investment projects and all non-investment projects and activities are US \$1,204,804,136, including US \$117,617,450 for agency support costs. Of the total project funds approved the amounts allocated to, and disbursed by, each of the implementing agencies and bilateral agencies, are indicated in the table below:

Agency	US\$ approved (1)	US\$ disbursed (2)
IBRD	481,420,063	312,275,929
UNDP	347,834,192	198,468,537
UNEP	54,540,208	32,370,264
UNIDO	270,624,382	151,099,500
Bilateral	50,385,291	25,385,459
Total	1,204,804,136	719,599,689

(1) As at July 2001

(2) As at 31 December 2000

Projects and activities approved in 2001

17. During the period under review, the Executive Committee approved a total of 302 additional projects and activities, with a planned phase-out of 6,554 ODP tonnes in the production and consumption of controlled substances. It approved US \$85,829,041, including US \$8,541,947 for agency support costs, for their implementation, as follows:

Agency	US\$	US \$ Support Cost	US \$ Total Cost
IBRD	27,961,990	2,574,865	30,536,855
UNDP	24,029,650	2,894,021	26,923,671
UNEP	2,029,939	263,892	2,293,831
UNIDO	17,770,841	2,200,985	19,971,826
Bilateral	5,494,674	608,184	6,102,858
TOTAL:	77,287,094	8,541,947	85,829,041

Investment projects

18. Of the total funds approved in the period under review, the Executive Committee allocated US \$78,945,931 for the implementation of 165 investment and demonstration projects which will eliminate an estimated quantity of 6,554 ODP tonnes in consumption and production of ODS when implemented.

19. A breakdown by sector is as follows:

Sector	ODP tonnes for phase out	US\$ for implementation	US\$ for project preparation
Aerosol	207.5	744,692.64	67,800
Foam	2,927.38	19,248,944.64	911,515
Fumigant	297.4	4,703,306.10	597,770
Halon consumption and production	1,010	350,980.00	92,005
Process agent	474.4	3,372,023.15	363,860
Production	556	21,799,000.00	0
Refrigeration	1,017.7	20,041,912.29	548,050
Solvent	63.8	8,685,072.63	203,400
Sterilant	0	0	5,650
Tobacco	0	0	0
TOTAL	6,554.18	78,945,931.45	2,790,050

20. Highlights of the programme of investment and demonstration projects for the period under review include:

- approval in principle of a refrigeration sector plan for Turkey at a level of funding of about US \$9 million for the complete phase out of remaining ODS consumption in the refrigeration sector in Turkey by 2005;
- on the basis of a request from the Government of China, authorisation by the Executive Committee for the Secretariat to proceed with a technical audit of China's entire CTC production capacity as a precursor to preparation of a project for closure of its CTC production facilities;

- on the basis of a request from the Government of Mexico, authorisation by the Executive Committee for the Secretariat to proceed with a technical audit of Mexico's CFC production capacity as a precursor to preparation of a project for closure of the CFC production plant;
- approval of a total of US \$18,965,000 for continuation of the CFC production sector phase-out programmes in China and India;
- approval of a consensus agreement for complete phase-out of halon production and consumption in India, at a level of funding of US \$2,834,000 (Decision 34/68);
- approval of US \$7,650,500, being the second payment for implementation of the 2000-2001 annual programme under the phase-out plan for the solvent sector in China, with understandings, inter-alia, that China would control the sale of n-propyl bromide only to enterprises involved in the conversion projects under the China solvent sector plan and that n-propyl bromide produced by China would not be made available for export;
- approval of funding to UNIDO and the World Bank to prepare a sector plan to phase out consumption in the process agent sectors in India and China;
- approval of a further eight investment projects to phase out the consumption of methyl bromide, including total phase out for non-quarantine and pre-shipment use in Lebanon, Romania, Uganda and Uruguay;
- approval of a further 5 refrigerant management plans (RMPs) bringing the total number now approved to 71.

Non-investment activities

Technical assistance and training

21. In the period under review 26 technical assistance and training projects were approved at a total cost of US \$2,525,973 for training in the refrigeration sector, enhancing the knowledge of Article 5 Parties on methyl bromide use and alternatives, policy training for local authorities, training for customs officers, and information exchange. This brings the number of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total cost of US \$98,969,672. The range of activities includes workshops, global and local awareness and education campaigns, training programmes, the development of sectoral phase-out strategies, and project preparation.

Institutional strengthening

22. During the period under review, US \$2,024,042, plus agency support costs, was approved for commencement of an institutional strengthening project in the Lao People's Democratic Republic, and for renewal of 16 existing institutional strengthening projects. This brings the total approvals by the Committee to US \$31,654,493 for institutional strengthening projects in

108 Article 5 countries. The Executive Committee continued to express its views on the information presented in the requests for extension of institutional strengthening projects.

Country programmes and country programme updates

23. During the period under review, the Executive Committee approved one additional country programme. This brings the total number of approved country programmes to 110, covering the estimated production of 115,000.ODP tonnes of CFCs and halons and consumption of 175,000.ODP tonnes of controlled substances.

E. Monitoring and Evaluation

Status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol

24. The Executive Committee reviewed the 2000 status of ODS phase-out in Article 5 countries (UNEP/OzL.Pro/ExCom/34/16), which included information on the status of Article 5 countries in achieving compliance with the initial control measures of the Montreal Protocol and an analysis of the ODS consumption data by sector as well as the recommendations of the Fund Secretariat.

25. The Executive Committee noted that, regarding CFCs, 14 countries were at risk of not meeting their freeze obligations. Action by governments and the Multilateral Fund was needed in 53 countries to ensure achieving their future compliance with the 50 per cent reduction target for Annex A CFCs by 2005. Immediate action was needed in 16 countries, three of which had to implement approved projects sooner than planned in order to ensure compliance with the freeze on consumption of halons by 2002. Additional action by governments and the Multilateral Fund was needed in 17 countries to ensure their future compliance with the 50 per cent reduction target for halons by 2005. Regarding methyl bromide, 43 countries had not yet ratified the Copenhagen amendment. Of those that had ratified the Copenhagen amendment immediate action was needed to enable 24 countries to comply with the freeze obligation, of which four countries needed to implement approved projects sooner than planned to achieve compliance. Urgent action by all concerned was required in order to ensure that as many countries as possible would be able to achieve compliance.

Evaluation of the implementation of the 2000 business plans

26. At its 34th Meeting, the Executive Committee noted that the implementing agencies had not reported on their performance relating to their non-weighted non-investment performance indicators pursuant to Decision 26/5, and required them to report to the 35th Meeting on this issue, together with any proposals to modify performance indicators. It also noted that the Multilateral Fund had not achieved its 2000 phase-out target and, for the purposes of the 2002 draft business plans, it requested the implementing agencies to concentrate on the implementation of approved but unimplemented projects, to reduce the number of investment and non-investment projects with implementation delays, and to take into consideration the sector analysis contained in the report on the status of Article 5 countries in achieving

compliance (UNEP/OzL.Pro/ExCom/34/16) for the purposes of planning activities for the 2002 draft business plans. The Executive Committee further requested agencies presenting investment project proposals to ensure that projects were submitted for the countries listed in their business plans and that those projects were submitted during the calendar year of the plan.

Progress reports

27. The Executive Committee, at its 34th Meeting, took note of the progress report on bilateral cooperation, the progress reports of the implementing agencies and of the consolidated progress report prepared by the Secretariat. The Committee requested the implementing agencies and bilateral donors to provide reports to the 35th Meeting on projects with implementation delays and to further elucidate their reasons for such delays, including any reasons linked with Executive Committee decisions. The implementing agencies, in particular, were requested to report to the 35th Meeting on any Executive Committee decisions that might have led to implementation delays as a result of inability to reallocate funds among a project's budget components. The Committee also decided to add a performance indicator for the timely submission of progress reports, as well as new entries for agency support costs, year of business plan, and whether or not the project was in the investment or non-investment allocation per project in the progress report data base.

Project implementation delays

28. The Executive Committee noted the cancellation of a number of projects that had encountered implementation delays and the return of the remaining balances to the Fund for reprogramming. The Executive Committee decided that certain projects should not be cancelled, but should continue to be closely monitored. In other cases, the Committee requested the relevant implementing agency to pursue the matter and to report back to the Committee. It decided that, as of the 33rd Meeting, projects that had been approved more than three years previously and had been classified as experiencing implementation delays, should remain on the list of projects for continued monitoring.

29. At its 33rd and 34th Meetings, the Committee removed some projects that had experienced progress from the list of projects with implementation delays, decided to continue to monitor others where additional actions had been taken, and requested notices to be sent on some projects where there had not been any progress. The Committee also requested the implementing agencies to ensure that future investment projects were not submitted until the Article 5 country's government had verified that the ODS capacity of all recipient enterprises had been established before July 1995, consistent with the project eligibility criteria set out in Decision 17/7.

Completed projects with balances

30. During the reporting period, the implementing agencies indicated that they would return a total of US \$11,431,864 to the Multilateral Fund from completed and cancelled projects, as indicated in the table below:

Agency	Funds from completed projects (US\$)	Funds from cancelled projects (US\$)	Total funds to be returned
UNDP	957,301	600,304	1,557,605
UNEP	135,801	0	135,801
UNIDO	325,459	396,773	722,232
World Bank	2,644,597	6,371,629	9,016,226
Total	4,063,158	7,368,706	11,431,864

Implementation of the 2001 Monitoring and Evaluation work programme

31. During the period under review, the Executive Committee considered final reports on the evaluation of foam projects and of regional networks, and a report on the evaluation of completed compressor projects in China. It also considered, as a follow-up to Decision 32/15, general principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects.

Evaluation of Foam projects

32. At its 33rd Meeting, the Executive Committee took note of the final evaluation report on foam projects, and noted that, with only one exception, the companies covered by the evaluation had phased out successfully the target volumes of CFCs. It requested the implementing agencies and National Ozone Units concerned to provide comments on country reports and project evaluation case studies, particularly explanations on the projects where the evaluation had left questions open, and requested the Senior Monitoring and Evaluation Officer to present a synthesis of those comments in the consolidated project completion report to the 35th Meeting.

33. The Committee noted the actions proposed for follow-up by the Secretariat, in cooperation with the implementing agencies (finalising the guidelines for equipment destruction and reviewing the agreement on eligibility of high-pressure machines for rigid foam insulation projects), in line with the principles of sustainable and long-term conversion. It also requested the implementing agencies and the National Ozone Units to conduct safety inspections, where applicable, and to prepare a report on incidences of fire resulting from conversion projects and to report thereon to the 35th Meeting.

Evaluation of Regional networks

34. At the 33rd Meeting, the Executive Committee took note of the final report on the evaluation of regional networks, in particular the general conclusion that the administrative and technical capacities of National Ozone Units had been considerably improved through the networks' impact. The Committee requested UNEP, inter alia, to continue to formulate and

refine the objectives, sub-objectives, related results and indicators for the networks for each region; to ensure that follow-up meetings focused on a limited number of priority tasks and issues; to encourage and facilitate more intensive contacts and information exchange between different networks; and to report on results achieved, in relation to the objectives defined in the work programmes, in its annual progress report.

Evaluation of completed compressor projects in China

35. The Executive Committee, at its 34th Meeting, took note of the evaluation report on completed compressor projects in China and, *inter alia*, requested the Government of China to assess the additional needs for non-CFC domestic and commercial refrigeration compressors over and above the capacities already converted which were partly under-utilised. The Committee decided to consider future project proposals in this sector in the light of this assessment. The Committee further requested the Senior Monitoring and Evaluation Officer to undertake an evaluation of the mobile air-conditioning projects in the 2002 monitoring and evaluation work programme.

General principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects

36. At its 33rd Meeting, the Executive Committee noted with appreciation the proposals of the implementing agencies to comply with the recommendation emanating from the evaluation of institutional strengthening projects regarding agreements between governments and implementing agencies (Decisions 30/7 and 32/15) and requested various amendments to the project documents for institutional strengthening projects. The Committee further requested the Secretariat to forward the text of the decision in a letter to governments and called upon implementing agencies to apply the new requirements for institutional strengthening projects in all future agreements in this area.

F. Policy matters

Strategic planning for the Multilateral Fund for 2000-2002

37. At its 33rd Meeting, the Executive Committee considered the report on strategic planning prepared by the Secretariat (UNEP/OzL.Pro/ExCom/33/30) which had been prepared as follow-up to Decision 32/75. The Committee adopted as the basis for future work in strategic planning the framework on the objectives, priorities, problems and modalities for strategic planning of the Multilateral Fund in the compliance period. In this regard, it requested the Secretariat to prepare specific proposals for changes in procedures, implementation mechanisms, and modalities made necessary by the adoption of the framework, on the understanding that it might not be possible or necessary to cover all topics at once and that consequently several papers might be needed for consideration at different future meetings of the Executive Committee. It also noted that updates to country programmes and refrigerant management plans would provide Article 5 countries with a mechanism for national phase-out strategies and encouraged Article 5 countries to take advantage of that opportunity. (Decision 33/54)

38. At its 34th Meeting, the Executive Committee considered the proposals prepared by the Secretariat in response to Decision 33/54 (UNEP/OzL.Pro/ExCom/34/53), and proposed several alternative approaches to determining a baseline figure to be used in the consideration of sustainable reductions in aggregate national consumption. It also requested the Secretariat to prepare a document that included a definition of the starting point for determining the sustained reduction of each Article 5 country, taking into consideration the need to address properly the alternative approaches. The Committee further requested the Secretariat to solicit written comments from members of the Executive Committee on document UNEP/OzL.Pro/ExCom/34/53, and to submit to the 35th Meeting a revised version of that document.

Funding of updates for refrigerant management plans (RMPs)

39. At its 33rd Meeting, the Executive Committee decided that proposals to update RMPs should be in conformity with Decision 31/48 and that approval of funding would be contingent on submission of a progress report from implementing agencies and a written justification from countries for additional activities. The level of funding for such requests could be up to 50 per cent of the level of funding approved prior to the 31st Meeting for the preparation of the original RMP.

Strategic framework for national, subregional and regional customs training

40. At its 33rd Meeting, the Executive Committee decided that national customs training for each country should continue to be funded through the “train the trainers” approach. However, UNEP should look for opportunities to implement regional and subregional customs training as a cost-effective substitute for national customs training, wherever appropriate and should look for opportunities to make use of existing regional customs training facilities. For demonstration purposes, additional subregional or regional training programmes might be considered for funding where regional trading blocs or trading agreements containing relevant regulatory mechanisms were in place, and after the results of already approved regional and subregional training programmes had been presented to the Executive Committee for review. Regional and subregional customs training activities and the regional ozone officers networks should be used to conduct outreach to representatives of regional trading blocs and customs associations with a view to encouraging the formation of informal networks for information dissemination and data management.

Confidentiality of project data

41. At its 33rd Meeting, the Executive Committee, *inter alia*, requested the implementing agencies to provide the Secretariat with all the information required to complete its review of projects, while safeguarding, as appropriate, information considered by governments or enterprises to be commercially sensitive. Noting that the funding of technology which was not in the public domain raised issues not dealt with by the Executive Committee in the past, it requested the Secretariat to consult relevant international agencies and prepare a paper on the issue for the 35th Meeting.

Enterprise consumption and country data

42. At its 34th Meeting, the Executive Committee requested the Secretariat and the implementing agencies not to submit project proposals which showed inconsistencies between project data and the latest reported sectoral consumption data. It also requested the Secretariat to prepare, for submission to each meeting of the Sub-Committee on Project Review, a list of project proposals received by the Secretariat for which inconsistencies in reported data existed.

Actions arising from the evaluation of projects in the foam sector

43. At its 33rd Meeting, after considering a report on evaluation of projects in the foam sector, the Executive Committee decided that a number of measures should be taken in regard to the preparation, implementation and completion of foam projects (Decision 33/2). These measures related to, *inter alia*: project durations, validation of consumption and commitments to yield a sustained reduction from the specified level of current sector consumption; unapproved technology change; cessation of CFC use after project completion, and; the level and use of funds for technology transfer and trials.

44. At its 34th Meeting, the Executive Committee requested the implementing agencies to comply fully with relevant parts of Decision 33/2 concerning undertakings from countries and requested the Secretariat and implementing agencies to review individual project proposals to ensure compliance with the parts of Decision 33/2 concerning project duration and funding for technology transfer and trials (Decisions 34/14 to 34/16).

Prerequisites for terminal phase-out in the refrigeration sector

45. At its 33rd Meeting, the Executive Committee decided to use the current draft prerequisites and guidelines for terminal phase-out in the refrigeration sector in a flexible manner, and on a case-by-case, for consideration of terminal phase-out proposals related to pending requests. It also invited members to provide written comments on the current draft prerequisites and guidelines for submission to a future meeting of the Executive Committee.

Use of the 13 per cent allowance for support costs

46. At its 33rd Meeting, the Committee requested UNEP to finalise a paper on support costs, for submission to the 34th Meeting, at which it decided to consider the issue in greater depth at its 35th Meeting and requested the Secretariat, in consultation with the Treasurer and UNEP/DTIE, to prepare an issue paper.

Employment of Executive Committee members by implementing agencies

47. At its 33rd Meeting, the Executive Committee decided that, where a member of the Committee was employed by one of the implementing agencies to do ozone-related work, that delegation should refrain from speaking on projects related to the work for which the delegate had been hired.

Projects not in business plans

48. At its 34th Meeting, the Executive Committee requested the Sub-Committee on Monitoring, Evaluation and Finance to consider requesting the implementing agencies to make every effort to submit projects in accordance with approved business plans, and to replace projects in a business plan or contingency list only when the government concerned had been informed in writing and the replacement project was essential to enable a country to meet a compliance commitment.

Concessional lending

49. At its 33rd Meeting, the Executive Committee decided to include concessional lending on the agenda of its 34th Meeting, at which there was an exchange of views on innovative funding and its possible effects on the phase-out process. The Executive Committee decided to consider, at its 35th Meeting, a proposal for a technical workshop on concessional lending and requested the Secretariat to prepare, for that Meeting, a report containing a compilation of experiences and relevant information that could facilitate the understanding of the process of concessional lending, and to recirculate relevant documentation on the subject.

Status report on the study of alternatives to CFC in rigid foam applications

50. During the reporting period, the Executive Committee considered the two status reports from the Secretariat, and noted that a contract to carry out the above study had been awarded in May 2001.

G. Fund Secretariat activities

51. In the reporting period, the Fund Secretariat prepared documentation and provided conference services for the 33rd and 34th Meetings of the Executive Committee; two meetings each of the Sub-Committee on Project Review, and the Sub-Committee on Monitoring, Evaluation and Finance; and two meetings of the Subgroup on the Production Sector.

52. The Fund Secretariat analysed and reviewed proposals for projects and activities from implementing agencies and bilateral donors with a total value of US \$267 million and commented on one country programme. Comments and recommendations were provided, as appropriate, on all proposals submitted for the consideration of the Executive Committee.

53. The Fund Secretariat also prepared eight papers on emerging or ongoing policy issues. In addition to specific policy papers, the Fund Secretariat presented other operational policy issues to the Executive Committee in overview papers prepared for each meeting.

54. The Fund Secretariat organised a coordination meeting with the implementing agencies.

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

56. The Fund Secretariat administered several contracts relating to technical audits of CFC production, review of some investment projects, and evaluation of completed projects.

57. During the period under review, the Chief Officer undertook several missions with the Chair and/or Vice-Chair of the Executive Committee to Senegal, Morocco and Indonesia. In addition Secretariat staff undertook several other missions relating to the programme of the Multilateral Fund and meetings of the Parties to the Montreal Protocol.

H. Matters relating to the Meeting of the Parties

58. In response to Decisions VIII/5, VIII/7, IX/14, and X/31, the Executive Committee is annexing hereto its report to the Thirteenth Meeting of the Parties on actions taken to improve the financial mechanism for the implementation of the Montreal Protocol (contained in the annex to the present report).

I. Reports of the Executive Committee

59. The reports of the 33rd and 34th Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/33/32 and UNEP/OzL.Pro/ExCom/34/58 and Corr.1, respectively) have been distributed to all Parties to the Montreal Protocol. These reports as well as the reports of the Sub-Committees and all earlier reports can be accessed at the website of the Fund Secretariat (www.unmfs.org).

Annex I

**ACTIONS TAKEN TO IMPROVE THE FINANCIAL MECHANISM FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL**

INTRODUCTION

This report is submitted by the Executive Committee pursuant to the following decisions of the Meetings of the Parties:

“To request the Executive Committee to move forward as expeditiously as possible on Decision VII/22, and in particular Actions 5, 6, 10, 11, 14 and 21, and to report back to the Ninth Meeting of the Parties”;

Decision VIII/5

“To request the Executive Committee to continue with further actions to implement Decision VII/22 to improve the Financial Mechanism and report to the Meetings of the Parties annually”;

Decision VIII/7

“To request the Executive Committee to continue with further actions to implement Decision VII/22 to improve the Financial Mechanism and to include in its annual report to the Meeting of the Parties an Annex updating information on each action that has not been previously completed, as well as a list of actions that have been completed”, and,

Decision IX/14

“To request the Executive Committee to report annually to the Meetings of the Parties on the operation of the Financial Mechanism and the measures taken to improve the operation.”

Decision X/31

This submission updates the report submitted to the Twelfth Meeting of the Parties (UNEP/OzL.Pro.12/7, Annex I) and reflects the relevant decisions of the Executive Committee in the period under review and other relevant developments.

According to Decision IX/14 this report has two parts: Part I contains the updates on those Actions which have not previously been completed. Part II provides a list of Actions which have been completed.

PART I: ACTIONS WHICH HAVE NOT PREVIOUSLY BEEN COMPLETED

Action 6

The Executive Committee should evaluate the regime adopted for 1995, taking into account the study's recommendations, including the recommendation that: "Cost-effectiveness norms should be prepared based on model projects of different capacities under standard conditions. Thereafter, projects should be assessed on their own merits." Nonetheless, all eligible projects shall continue to be funded overtime irrespective of their relative cost-effectiveness. In case of delayed funding, however, lump-sum payments could be considered.

As reported previously:

Prior to dedicating in 1999 US \$10 million as a pilot programme for SMEs, the Executive Committee had decided to exempt all projects from LVCs from being evaluated against the cost-effectiveness thresholds, and to allow flexibility on cost-effectiveness for umbrella and sector phase-out projects.

As for the pilot programme set up in 1999, the Executive Committee decided that:

Given the fact that SME projects for low-volume consuming countries are currently fully eligible, this window should apply only to group projects from countries with annual ODS consumption of 360 ODP tonnes or more;

Eligible group projects for this initial pilot programme should be in the aerosol or foam sectors only, and should include firms with annual ODS consumption not exceeding the following:

Aerosols:		20 ODP tonnes/yr.
Foams:	Flexible	25 ODP tonnes/yr.
	Extruded polyethylene/polystyrene	25 ODP tonnes/yr.
	Flexible integral skin	10 ODP tonnes/yr.
	Rigid polyurethane foams	10 ODP tonnes/yr.

Group projects should be at a level of US \$1 million or less, and should have an overall cost-effectiveness of no more than 150 per cent of the level of the current cost-effectiveness thresholds for the relevant eligible subsectors. Such group projects should use the most cost-effective technologies reasonably available, and should consider the possible use of centralized/group use of equipment and industrial rationalization;

The group project should be put forward with a government plan, including policies and regulations designed to ensure that the specific level of agreed reduction to be achieved was sustained;

No single country may apply for more than US \$1 million from this pilot funding window although projects from one country may cover more than one sector.

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

Update since the Twelfth Meeting of the Parties:

- ***There have been no other new developments.***

Action 10

The study by the World Bank on the establishment of a concessional loan mechanism, requested by the Executive Committee at its Sixteenth Meeting, should be completed as soon as possible, and analysed and discussed by the Executive Committee at its Nineteenth Meeting, and a decision on suitable future steps be taken by the Executive Committee by its Twentieth Meeting or by the Meeting of the Parties in 1996, as appropriate, with a view to starting the use of concessional loans by the end of 1996, to the extent that the need and demand exist.

As reported previously:

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

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

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

At its Thirtieth Meeting the Executive Committee decided to include concessional lending in the agenda for the Thirty-first Meeting.

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

Update since the Twelfth Meeting of the Parties:

- ***After discussions on the timing of initiation of further debate on the issue of concessional lending at the 32nd and 33rd Meetings, the Executive Committee decided to place the issue on the agenda of the 34th Meeting.***
- ***At its 34th Meeting the Executive Committee decided to consider a proposal for a technical workshop from the Government of Japan as a basis for its discussion at its 35th Meeting. At the same time, the Executive Committee decided to request the Secretariat to recirculate a number of documents on concessional lending, and prepare a compilation of the experience of the Multilateral Fund in applying innovative funding.***

Action 13

The Implementing Agencies should report to the Executive Committee on measures to include ODS phase-out issues into their ongoing dialogue on development programming and on measures they could take to mobilise non-Fund resources in support of Montreal Protocol objectives, with a view to achieving an increase in the number of ozone-protection projects.

As reported previously:

In addition to the Thai chiller project which was reported to the Tenth Meeting of the Parties as a co-financing scheme between the Multilateral Fund and the Global Environment Facility, the Executive Committee approved funding in 1999 to be supplemented by a local funding source in Mexico to implement the chiller replacement programme in the country.

Update since the Twelfth Meeting of the Parties:

- ***There have been no new developments since the last report. Implementing agencies, as well as bilateral donors, remain aware of the benefits from mobilisation of non-Fund resources and seek to employ such measures when opportunities are presented.***

Action 21

- (a) The Executive Committee should prepare an itemised progress report on measures taken so far, in the context of Article 10 of the Protocol, to establish a mechanism specifically for the transfer of technology and the technical know-how at fair and most favourable conditions necessary to phase out ozone-depleting substances; and at the same time.

- (b) The Executive Committee should request UNEP to intensify its efforts to collect information from relevant sources, and to prepare an inventory and assessment of environmentally sound and economically viable technologies and know-how conducive to phase out of ozone-depleting substances. This inventory should also include an elaboration of terms under which transfers of such technologies and know-how could take place.
- (c) The Executive Committee should consider what steps can practicably be taken to eliminate any impediments in the international flow of technology.
- (d) The Executive Committee should further elaborate the issue of the eligible incremental costs of technology transfer, including costs of patents and designs and the incremental costs of royalties as negotiated by the recipient enterprises.

The actions in subparagraphs (a), (b) and (c) should be completed by its Nineteenth Meeting and updated periodically, and the action in subparagraph (d) should be taken immediately.

As reported previously:

At its Twenty-seventh Meeting, the Executive Committee decided to authorise UNEP to prepare a data base containing a description and characteristics of available ODS-substituting technologies and the terms under which such technologies were available for transfer, pending completion of the report of the informal group on technology transfer and formulation of terms of reference for this study.

At its 28th Meeting the Executive Committee was informed that the report of the Informal Group was completed.

Update since the Twelfth Meeting of the Parties:

- ***In relation to Action 21(d), at its 34th Meeting the Executive Committee approved funding for technology transfer as part of the incremental capital cost for projects in the process agent and foam sectors.***

PART II: ACTIONS COMPLETED

The following actions were included in the Report for the Twelfth Meeting of the Parties as having been completed, having become a standard practice of the Multilateral Fund or having been overtaken by other developments.

Action 1

Action 2

Action 3

Action 4

Action 5

Action 7

Action 8

Action 9

Action 11

Action 12

Action 14

Action 15

Action 16

Action 17

Action 18

Action 19

Action 20
