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FOURTEENTH MEETING OF THE PARTIES  
TO THE MONTREAL PROTOCOL ON  
SUBSTANCES THAT DEplete THE  
OZONE LAYER  
Rome, 25-29 November 2002

**REPORT OF THE EXECUTIVE COMMITTEE TO THE  
FOURTEENTH 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 Thirteenth 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 35<sup>th</sup>, 36<sup>th</sup>, and 37<sup>th</sup> Meetings of the Executive Committee were held in Montreal from 5 to 7 December 2001, 18 to 20 March 2002 and 17 to 19 July 2002, respectively. The 38<sup>th</sup> Meeting was held in Rome from 20 to 22 November 2002. The reports of those meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/35/67 and Corrs.1 and 2, UNEP/OzL.Pro/ExCom/36/36, UNEP/OzL.Pro/ExCom/37/71 and Corr.1 and [UNEP/OzL.Pro/ExCom/38/\_ \_] respectively.
3. In accordance with Decision XII/4 of the Twelfth Meeting of the Parties, the 35<sup>th</sup> Meeting of the Executive Committee was attended by Australia, Finland, Germany (Chair), Japan, Netherlands, Poland and 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. Pursuant to Decision XIII/27 of the Thirteenth Meeting of the Parties, the 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings of the Executive Committee were attended by Canada, Finland, France, Japan (Vice-Chair), Netherlands, Poland, and United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Burundi,

China, Colombia, El Salvador, Nigeria (Chair), Syrian Arab Republic and United Republic of Tanzania, representing Parties operating under paragraph 1 of Article 5. The 35<sup>th</sup> Meeting was chaired by Mr. Heinrich Kraus (Germany), with Mr. Hannachi Hassen (Tunisia) acting as Vice-Chair. The 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings were chaired by Mr. O.A. Afolabi (Nigeria), and Mr. Tadanori Inomata (Japan) 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 (Chair), Jordan, Netherlands, Nigeria and Poland at the 35<sup>th</sup> Meeting, and of Canada, El Salvador, Finland, Netherlands, Nigeria, Syrian Arab Republic (Chair) and United Republic of Tanzania at the 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings, met back-to-back with the meetings of the Executive Committee. Reports of the Sub-Committee to the 35<sup>th</sup>, 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings of the Executive Committee are provided in UNEP/OzL.Pro/ExCom/35/4, UNEP/OzL.Pro/ExCom/36/4, UNEP/OzL.Pro/ExCom/37/4 and UNEP/OzL.Pro/ExCom/38/4 respectively.

##### **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 United States of America at the 35<sup>th</sup> Meeting, and of Burundi, China, Colombia (Chair), France, Japan, Poland and United States of America at the 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings, met back-to-back with the meetings of the Executive Committee. Reports of the Sub-Committee to the 35<sup>th</sup>, 36<sup>th</sup>, 37<sup>th</sup> and 38<sup>th</sup> Meetings of the Executive Committee are provided in UNEP/OzL.Pro/ExCom/35/19, UNEP/OzL.Pro/ExCom/36/16, UNEP/OzL.Pro/ExCom/37/22 and UNEP/OzL.Pro/ExCom/38/14 respectively.

##### **Subgroup on the Production Sector**

7. At the 35<sup>th</sup> Meeting, the Subgroup on the Production Sector, composed of Australia (facilitator), Colombia, Dominican Republic, Germany, India and the United States heard an update on developments in the ODS production sector and authorised the Secretariat to proceed with the technical audits on CTC and TCA production in China and CTC production in India provided that the Government of India submitted the requisite data. Its meeting was attended by representatives of UNIDO and the World Bank as observers.

8. Pursuant to Decision 35/59, the Executive Committee reconstituted the Subgroup at its 36<sup>th</sup> Meeting with the participation of representatives of Burundi, Canada (facilitator), China, Colombia, El Salvador, France, Netherlands and United States of America. At its meetings in 2002, held during the 36<sup>th</sup> and 37<sup>th</sup> Meetings of the Executive Committee and attended by representatives of UNIDO and the World Bank as observers, the Subgroup heard updates on developments in the ODS production sector.

9. The Executive Committee received the technical audit report on the ODS production sector in the Democratic People's Republic of Korea at its 36<sup>th</sup> Meeting in March 2002, and approved the agreement with the Government of DPR, Korea on a level of compensation for closing the production of CFC-113, methyl chloroform, CFC-11, CFC-12, and carbon tetrachloride (CTC). The agreed finding would be released in a phased manner and upon satisfactory verification of permanent closure of production and dismantling of the production facilities.

## **B. Financial matters**

### Status of contributions and disbursements

10. As at 20 October 2002, the total income to the Multilateral Fund, including interest, bilateral contributions and miscellaneous income, amounted to US \$1,510,315,213, and the total disbursement amounted to US \$1,425,100,628. The balance available at 20 October 2002 amounted to US \$85,214,585.

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

<b>Year</b>	<b>Pledged contributions US \$</b>	<b>Total payments US \$</b>	<b>Arrears/outstanding pledges US \$</b>
1991 – 1993	235,029,241	210,459,139	24,570,102
1994 – 1996	424,841,347	393,401,887	31,439,460
1997 – 1999	472,567,009	427,119,830	45,447,179
2000	146,666,667	142,790,972	3,875,695
2001	146,666,667	142,092,382	4,574,285
2002	146,666,667	78,767,384	67,899,283
<b>Total:</b>	1,572,437,598	1,394,631,594	177,806,004

### Contributions in arrears

12. As at 20 October 2002, arrears for 1991-2001 stood at US \$109,906,722. Of this amount, US \$95,955,906 is associated with countries with economies in transition (CEITs), and US \$13,950,816 is associated with non-CEIT countries. Outstanding contributions for 2002 amounted to US \$67,899,283.

### Bilateral contributions

13. During the period under review, the Executive Committee approved requests by Australia, Canada, France, Germany, Israel, Japan, and Sweden to credit bilateral assistance amounting to a total of US \$14,894,602. This brings the total for bilateral cooperation to US \$58,595,474, which represents approximately 4.5 per cent of funds approved. The range of bilateral projects approved included *inter alia* refrigerant management plans (RMP), the establishment of a regional halon bank and investment projects in the foam, fumigants and refrigeration sectors.

### Issues pertaining to contributions

14. At the 36<sup>th</sup> Meeting, the Treasurer was asked to ensure that requests for payment of contributions were issued in a timely manner so as to enable Parties better to observe the schedule of payments and thus avoid the accumulation of arrears. At the 37<sup>th</sup> Meeting, however, it was noted with concern that the rate of payment of contributions was somewhat slower than the previous year, although the Executive Committee received an assurance from the Treasurer that the slow rate of payment could not be attributed to delays in notifying the payments due because the coordination mechanism in place ensured that these were kept to the minimum.

15. In response to concerns expressed regarding discrepancies in figures, recorded in the Treasurer's report and those in the implementing agencies' progress reports, the Treasurer, the implementing agencies and the Secretariat were requested to provide the 38<sup>th</sup> Meeting with a full reconciliation of the Fund's accounts and the implementing agencies' progress reports.

### Concessional lending

16. At its 35<sup>th</sup> Meeting, the Executive Committee discussed the issue of concessional lending and approved the convening of a technical workshop, in the context of a project to be implemented by the Government of Japan with the assistance of the implementing agencies, to discuss relevant issues. An amount of US \$75,000, plus support costs of US \$9,750, to be offset against the Government of Japan's 2001 contribution to the Multilateral Fund, was approved on an exceptional basis to support the substantive and logistical arrangements for the holding of the workshop.

Budget of the Fund Secretariat for 2002

17. The 35<sup>th</sup> Meeting adopted the budget for the Fund Secretariat for 2002 contained in Annex III to the report of its Meeting (UNEP/OzL.Pro/ExCom/35/67).

**C. Business Planning and Resource Management**2002 business plans of the Multilateral Fund

18. The consolidated business plan of the Multilateral Fund consists of the business plans of the four implementing agencies and those non-Article 5 countries that have bilateral cooperation programmes. The Fund's 2002 consolidated business plan set a phase-out target from approved projects and activities amounting to 15,936 ODP tonnes for investment projects and 624 ODP tonnes for non-investment projects, with a disbursement target of US \$106.28 million for investment projects.

19. At the 35<sup>th</sup> Meeting, when considering the draft business plans for 2002, the Executive Committee once again urged implementing and bilateral agencies to give priority to projects in countries at risk of non-compliance. Subsequently, at its 36<sup>th</sup> Meeting, the Executive Committee requested them to ensure that, in their business planning for 2003, countries at risk of non-compliance with either the halon or methyl bromide freezes, which entered into effect for Article 5 countries in 2002, and were still eligible for projects in those sectors be given special consideration.

20. The Executive Committee recommended, at its 36<sup>th</sup> Meeting, that countries for which CFC or ODS terminal phase-out plans were being prepared should ensure that one agency assumed coordination for all related sectors and presented complete national proposals to the Executive Committee. Likewise, implementing and bilateral agencies should coordinate among themselves when preparing activities for the phase out of ODS in the servicing sector so as to bring one complete national proposal to the Executive Committee.

21. Pending completion of draft guidelines on metered dose inhalers (MDI), it was decided that related projects would be considered on a case-by-case basis.

22. In order to streamline the approval process, it was decided that, in future, if a final draft of an agreement that constituted an essential component of a phase-out project had not been submitted for the consideration of the Sub-Committee on Project Review by the close of business on the second day of its deliberations, approval of the project concerned would be deferred until a subsequent meeting.

23. Modifications to resource allocations for 2002 were reviewed at the 36<sup>th</sup> Meeting and the Executive Committee decided that all remaining investment share allocations from 2001 and remaining allocations from bilateral agencies in 2002 business plans should be distributed among the implementing agencies according to investment shares.

24. During the period under review, amendments to the 2001 and 2002 work programmes of the implementing agencies were approved.

25. At the 36<sup>th</sup> Meeting, the 2002 business plans of the implementing agencies, which had been submitted to the 35<sup>th</sup> Meeting in draft form, were approved by the Executive Committee. Subsequently, at the 37<sup>th</sup> Meeting, the Executive Committee endorsed addenda to the 2002 business plans of UNDP, UNIDO and the World Bank.

#### Evaluation of the implementation of the 2001 business plans

26. At its 37<sup>th</sup> Meeting, the Executive Committee noted that the performance of the implementing agencies as regards investment and non-investment projects had been mixed, both as regards meeting weighted performance indicators and targets. The two new performance indicators added, namely, the number of investment projects to be completed in the year of the business plan and timely submission of progress reports, were not assessed during the period under review.

### **D. Fund achievement**

#### Total ODS phased out

27. Since 1991, 1,937 projects and activities have been approved for countries in Asia and the Pacific; 1,112 for countries in Latin America and the Caribbean, 820 for countries in Africa, 197 for countries in Europe and 241 with global coverage. Of the 217,173 ODP tonnes of ODS to be eliminated when all these projects are implemented, a total of 156,261 ODP tonnes of ODS had already been phased out as of the end of 2001. The sectoral distribution of this phase out is indicated in the table below:

<b>Sectors</b>	<b>ODS tonnes phased out</b>
Aerosol	22,265
Foam	34,324
Fumigant (methyl bromide)	221
Halon: production and consumption	54,117
Projects in multiple sectors	36
Process agent	375
Production (CFC)	18,898
Refrigeration	23,854
Solvent	1,656
Sterilant	21
Tobacco expansion	494
Total:	156,261

Funding and disbursement

28. 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 \$1,351,867,995, including US \$131,479,040 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)
UNDP	387,101,761	264,160,599
UNEP	66,176,735	42,597,844
UNIDO	300,793,571	202,967,412
World Bank	539,091,403	370,209,282
Bilateral	58,704,525	29,744,578
Total	1,351,867,995	909,679,715

(1) As at 28 October 2002

(2) As at 31 December 2001

Projects and activities approved during the period under review  
(December 2001-November 2002)

29. During the period under review, the Executive Committee approved a total of 422 additional projects and activities, with a planned phase out of 22,540 ODP tonnes in the production and consumption of controlled substances. It approved US \$156,821,306, including US \$14,423,663 for agency support costs, for their implementation, as follows:

Agency	US\$	US \$ Support Cost	US \$ Total Cost
UNDP	39,955,626	4,460,573	44,416,199
UNEP	10,869,459	903,626	11,773,085
UNIDO	28,982,559	3,328,760	32,311,319
World Bank	54,503,669	4,754,151	59,257,820
Bilateral	8,086,330	976,553	9,062,883
TOTAL:	142,397,643	14,423,663	156,821,306

30. During the period under review, amendments to the 2001 and 2002 work programmes of the implementing agencies were approved.

Investment projects

31. Of the total funds approved in the period under review, the Executive Committee allocated US \$130,527,992 for the implementation of 155 investment and demonstration projects which will eliminate an estimated quantity of 21,917 ODP tonnes in consumption and production of ODS when implemented.

32. The following is a breakdown by sector:

Sector	ODP tonnes for phase out	US\$ for implementation	US\$ for project preparation
Aerosol	97	585,679	109,045
Foam	5,773	35,966,459	506,353
Fumigant	373	7,387,327	345,780
Halon consumption and production	5,871	5,605,896	0
Process agent	119	984,307	124,300
National Phase-out plan	1,366	24,003,390	1,039,610
Production	5,681	21,801,567	0
Refrigeration	1,512	19,148,728	1,361,325
Solvent	985	12,398,242	372,900
Sterilant	20	466,397	0
Tobacco	120	2,180,000	0
TOTAL	21,917	130,527,992	3,859,313

33. In the light of the decision to move away from a project-by-project approach to a sectoral and/or national phase-out approach, funds for the implementation of the following sectoral and national phase-out projects for the total elimination of ODS in a sector(s) were approved *inter alia*:

- Phase-out of the production of all ODS in the Democratic Peoples Republic of Korea
- National phase-out of all CFCs in the Bahamas, Brazil, Jamaica, Malaysia, Thailand and Turkey
- National phase-out of all CFCs in eight Pacific Island countries through a regional strategy (Kiribati, Marshall Islands, Micronesia, Palau, Solomon Islands, Tonga, Tuvalu and Vanuatu)
- Phase-out of CFCs in the foam sector in China and India



- Phase-out of CFCs in the commercial refrigeration and compressor manufacturing sector in China
- Phase-out of CFCs in the entire refrigeration manufacturing sector in Indonesia
- Phase-out in the methyl bromide sector in Bolivia, Lebanon, Morocco, Peru and Uganda.

34. Agreements between the governments concerned and the Executive Committee were signed for each of the phase out projects listed above, apart from the regional programme for eight Pacific Island countries, which was funded from single project approval following receipt from each country of an undertaking to achieve complete CFC phase-out.

35. As the first control measures relating to methyl bromide became applicable to Article 5 countries in 2002, funds were also approved for preparation of a sectoral strategy for the methyl bromide sector in China.

36. At the 36<sup>th</sup> Meeting, funds totalling US \$19 million plus US \$1.39 million support costs were approved for the 2002 work programmes under the sector plans for CFC production phase out in China and India and the 2002 annual implementation programme for the solvent sector in China was approved.

37. At its 35<sup>th</sup> Meeting, the Executive Committee approved US \$3.7 million plus US \$370,000 in support costs for the 2002 work programme for China's halon sector plan.

38. The Executive Committee recommended, at its 36<sup>th</sup> Meeting, that countries for which CFC or ODS terminal phase-out plans were being prepared should ensure that one agency assumed coordination for all related sectors and presented complete national proposals to the Executive Committee. Likewise, implementing and bilateral agencies should coordinate among themselves when preparing activities for the phase out of ODS in the servicing sector so as to bring one complete national proposal to the Executive Committee.

39. In order to streamline the approval process, it was decided that, in future, if a final draft of an agreement that constituted an essential component of a phase-out project had not been submitted for the consideration of the Sub-Committee on Project Review by the close of business on the second day of its deliberations, approval of the project concerned would be deferred until a subsequent meeting.

#### Non-investment activities

##### *Technical assistance and training*

40. During the period under review, 95 technical assistance and training projects amounting to US \$16,964,565 were approved, bringing the number of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total cost of US \$117,303,010.

*Compliance Assistance Programme (CAP)*

41. The 35<sup>th</sup> Meeting of the Executive Committee approved the budget for UNEP's Compliance Assistance Programme (CAP) and requested UNEP to report to the Executive Committee during 2002 on the progress made in implementing the Programme. UNEP was also requested to return annually any funds not disbursed and to make a proposal on a unified budget to the 38<sup>th</sup> Meeting. The representative of UNEP duly presented an interim progress report at the 37<sup>th</sup> Meeting.

*Institutional strengthening*

42. During the period under review, US \$708,870, including agency support costs of US \$5,460, were approved for institutional strengthening projects in 17 countries and US \$3,569,658 for renewal of institutional strengthening projects in 29 countries. This brings the total approvals by the Executive Committee to US \$35,587,053 for institutional strengthening projects in 125 Article 5 countries.

*Country programmes*

43. Country programmes for Djibouti, Kuwait and Kyrgyzstan were approved during the period under review, bringing the total number of approved country programmes to 112, covering the estimated production of 114,865 ODP tonnes of CFCs and halons and consumption of 173,206 ODP tonnes of controlled substances (as reported to the Fund Secretariat by Article 5 countries).

**E. Monitoring of project implementation**

Progress reports

44. At its 37<sup>th</sup> Meeting, the Executive Committee 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.

45. In order to ensure harmonised data, bilateral agencies were requested to verify their data against the Inventory of Approved Projects before submitting their progress reports.

46. The Executive Committee noted that the implementing agencies had a total of 485 projects completed for over one year, with remaining balances amounting to US \$20,890,645. Implementing agencies were urged to abide by the requirement to return balances from projects completed over 12 months previously.

47. It was also noted with satisfaction that implementing agencies had submitted their progress reports on time, but concern was expressed that data from some implementing agencies was inaccurate and could not be reconciled with the data in the Inventory of Approved Projects.

Project implementation delays

48. The Executive Committee continued to monitor closely projects with implementation delays and during the period under review decided to cancel 24 projects. Deadlines to achieve project milestones were imposed for other projects that were experiencing persistent delays. The Executive Committee also removed from the list of projects with implementation delays projects that had experienced progress.

49. At the 37<sup>th</sup> Meeting, the Secretariat was requested to prepare a paper on how to deal with project cancellations in an overall strategic manner in the light of country compliance.

Completed projects with balances

50. During the reporting period, through the 37<sup>th</sup> Meeting, the implementing agencies returned a total of US \$16,740,066 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 returned
UNDP	2,852,929	1,887,242	4,740,171
UNEP	78,532	0	78,532
UNIDO	817,239	1,076,269	1,893,508
World Bank	5,476,300	4,551,555	10,027,855
Total	9,225,000	7,515,066	16,740,066

Implementation of Monitoring and evaluation work programme for 2001*Evaluation reports on foam projects*

51. At its 35<sup>th</sup> Meeting, as a follow up on Decision 33/2 concerning the evaluation report on foam projects, the Executive Committee discussed a report about the actual duration of foam projects converting to HCFC-141b. As a result of the discussion and with a view to shortening the time for the completion of HCFC-141b conversions, the Executive Committee decided to request the Secretariat and the implementing agencies to use observed actual project duration as a starting point for determining on a case-by-case basis the duration of foam projects converting to HCFC-141b technology. (Decision 35/9 (b)). Following this decision, project duration of projects submitted to subsequent meetings have been reduced by between three and nine months. Foam projects now have a duration of between 12 and 33 months dependent on the number of individual enterprises involved.

*Final report on the evaluation of solvent sector projects*

52. The 35<sup>th</sup> Meeting noted the final report (UNEP/OzL.Pro/ExCom/35/12) and requested the implementing agencies to certify invoices for the purchase of ODS solvents by beneficiary enterprises and to include additional information in project documents and project completion reports concerning baseline equipment, counterpart funding, and safety, health and environmental requirements of the conversion. Noting that in at least one instance, the ozone depleting solvent TCA had been replaced by HCFC-141b, which has a slightly higher ozone depleting potential, the Executive Committee decided that HCFC-141b should no longer be proposed as an alternative technology to TCA in solvent sector projects.

Monitoring and evaluation work programme for 2002

53. The Executive Committee approved the 2002 work programme at its 35<sup>th</sup> Meeting in an amount of US \$328,000, for evaluations of UNEP's clearing house activities, projects in MAC, aerosol and halon sector and selected country studies on monitoring and evaluation of RMPs.

*Evaluation of aerosol projects*

54. At its 37<sup>th</sup> Meeting, the Executive Committee noted the status report on the evaluation of completed aerosol projects (UNEP/OzL.Pro/ExCom/37/5), covering 16 projects in Asia, 10 in Africa, and six in the Middle East.

*Desk study on halon projects*

55. The Executive Committee considered the report on the desk study on halon projects at its 37<sup>th</sup> Meeting (UNEP/OzL.Pro/ExCom/37/6). The evaluation of halon projects was intended to verify the cost-effectiveness and sustainability of halon phase out and the use of substitute products in a few selected fire extinguisher projects, analyse the progress achieved in implementing the halon sector plan in China, identify the lessons learned, and analyse the experience gained in selected completed or advanced halon recovery/recycling and banking projects. The 37<sup>th</sup> Meeting requested the Senior Monitoring and Evaluation Officer to proceed with the relevant field evaluations.

*Extended desk study on clearing house evaluation*

56. At its 36<sup>th</sup> Meeting, the Executive Committee considered the report on the extended desk study on clearing house evaluation (UNEP/OzL.Pro/ExCom/36/5 and Corrs.1 and 2), which described the results of an independent review of the Information Exchange activities implemented by UNEP as part of its Clearing House function. In general, those who responded to the questionnaire or were interviewed agreed that UNEP's information services had helped to raise awareness of ozone issues among the public and the authorities in their countries. The report identified several areas where UNEP could make improvements and set out a number of recommendations, which were noted by the Executive Committee. UNEP was also requested to include a strategic outlook on future clearing-house activities in the Compliance Assistance Programme (CAP) context in its 2003 business plan.

*Desk study on MAC projects*

57. At its 36<sup>th</sup> Meeting, the Executive Committee noted the desk study on the evaluation of MAC projects (UNEP/OzL.Pro/ExCom/36/6) and urged countries to collect data on production figures for CFC-12 MAC systems. These data were submitted to the 37<sup>th</sup> Meeting, which requested the Senior Monitoring and Evaluation Officer to update the report in 2004, to provide an estimate of the increased use of HFC-134a as a consequence of conversion projects and information on filling HFC-134a MAC systems with CFC-12.

**F. Potential compliance with the initial control measures of the Montreal Protocol**

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

58. At its 37<sup>th</sup> Meeting, the Executive Committee reviewed a report on the status of Article 5 countries as of June 2002 in achieving compliance with the measures of the Montreal Protocol on chlorofluorocarbons (CFCs), halons, methyl bromide, carbon tetrachloride (CTC) and methyl chloroform (TCA) (UNEP/OzL.Pro/ExCom/37/18, Corr.1, Add.1 and Add.1/Corr.1).

*Chlorofluorocarbons (CFCs)*

59. The Executive Committee noted that 94 countries could be considered to be in compliance with the freeze, three of which had national CFC phase-out agreements with the Executive Committee. Eight countries could achieve compliance if projects were implemented expeditiously, but 11 countries were at risk of non-compliance and further action was needed.

60. There were 58 countries that could potentially achieve compliance with the 50 per cent reduction target in 2005, whereas 55 other countries needed additional action in order to meet the reduction target.

*Halons*

61. The status report showed that 45 countries already appeared to be in compliance with the 2002 halon freeze and five countries could achieve compliance, but seven countries might require further action in order to achieve compliance.

62. Regarding the 50 per cent reduction target in 2005, 42 countries could achieve compliance by 2005 based on their latest reported consumption, while 15 countries would need additional phase out.

63. The Executive Committee noted that 55 countries had a zero level of consumption for 1995 to 2001 and 19 countries had not reported baseline or latest consumption data.

*Methyl bromide*

64. The Copenhagen Amendment had been ratified by 99 Article 5 countries, and 81 of them had reported complete baseline data, with 18 reporting zero for the baseline and latest consumption. Twenty-nine phase-out projects had been approved in 22 Article 5 countries, including projects that would lead to a complete phase out of methyl bromide in three countries. Eighteen of the 32 countries that had not ratified the Copenhagen Amendment had also provided data.

65. Of the 63 countries that had ratified the Copenhagen Amendment and had provided data other than zero, 36 could already be considered to be in compliance with the 2002 methyl bromide freeze, and five countries could achieve compliance if projects approved for them were implemented during 2002. A further 22 countries were at risk of non-compliance.

66. Of the 32 Article 5 countries that had not ratified the Copenhagen Amendment, 18 had reported data which showed that six of them could be considered to be in compliance.

67. Regarding the 20 per cent reduction target in 2005, 33 of the 63 countries that had provided data other than zero and had ratified the Copenhagen Amendment could achieve compliance, but the remaining 30 countries might need additional phase out.

*Carbon tetrachloride (CTC)*

68. The London Amendment had been ratified by 114 Article 5 countries, of which 88 had reported complete baseline data, with 40 reporting zero for the baseline and latest consumption, so the status of compliance in the remaining 48 countries was analysed. The analysis showed that 13 countries could already be considered to be in compliance with the 85 per cent reduction target for 2005, but the remaining 35 countries would require assistance. Seventeen Article 5 countries had not ratified the London Amendment, but eight of those had zero consumption and zero baselines. Nine countries had not provided sufficient data to assess their status of compliance.

*Methyl chloroform*

69. Of the 114 Article 5 countries that had ratified the London Amendment, 88 had reported complete baseline data, with 46 reporting zero for the baseline and latest consumption. The analysis therefore covered the remaining 42 countries and showed that 34 of them could already be considered to be in compliance with the 2003 freeze. Eight countries might not achieve compliance and would require assistance. Seventeen Article 5 countries had not ratified the London Amendment, including six countries that had reported zero consumption and zero baselines. Nine countries had not provided sufficient data to assess their status of compliance.

70. Regarding the 30 per cent reduction target in 2005, 26 of the 42 countries could achieve compliance, but 16 would have to phase out additional ODP tonnes. None of the 17 countries that had not ratified the London Amendment appeared able to achieve the reduction.

## **G. Policy Matters**

### Starting point for determining the remaining ODS consumption eligible for funding

71. At the 35<sup>th</sup> Meeting, the Executive Committee considered a study on defining a starting point for determining remaining ODS consumption eligible for funding by the Multilateral Fund (UNEP/OzL.Pro/ExCom/35/61 and Corr.1), prepared by the Secretariat as a follow-up to Decision 34/66 (a). The Executive Committee decided:

- (a) Institutional strengthening: All institutional strengthening projects and renewals shall be approved at a level that is 30 per cent higher than the historically agreed level. This will help countries carry out the new strategic framework agreed, and provide increased support for critical areas such as public awareness. The level of institutional strengthening funding noted above should prevail until 2005 when it should again be reviewed. This proposal would also include a clear commitment that this level of institutional strengthening or a level close to it should prevail for all Article 5 Parties until at least 2010, even if they should phase-out early. It should also be noted that, in addition to this direct increase in institutional strengthening funding, UNEP will, as agreed in 2000, be provided with US \$200,000/year to support public awareness, and countries will receive enhanced direct support on policy and substantive issues through UNEP's new Compliance Assistance Programme. Finally, it should be noted that countries undertaking national phase-out plans are likely to receive institutional strengthening funding at an even higher level than that anticipated above to facilitate national project implementation, as explicitly agreed in related phase-out agreements.
- (b) Country programme updates: Countries shall be provided with country programme update funding that is 75 per cent of the level originally provided to them to do country programmes. Low-volume consuming countries that have done RMPs will be given 50 per cent of the funding provided to develop their original RMP to do RMP updates, but will not be given funding to do country programme updates. New country programmes should, consistent with existing Executive Committee guidelines, continue to include RMPs.
- (c) Reductions in national aggregate consumption: In the context of the Executive Committee agreement on strategic planning (Decision 33/54 (a)), the Executive Committee agreed that further funding must be predicated on a commitment by the country to achieve sustainable permanent aggregate reductions in consumption and production, as relevant. In implementing this provision, the Executive Committee believes that all Article 5 countries should be treated equally. In that regard, each Article 5 country should select one option from two options below for determining the starting point for implementation of its national aggregate consumption.

### **Option 1**

Montreal Protocol Baseline as reported at the 35<sup>th</sup> Meeting less projects approved but not yet implemented when the baseline was established in 1997, and projects approved since.

### **Option 2**

Latest Reported Data (1999 or 2000) as reported at the 35<sup>th</sup> Meeting less projects approved but not yet implemented.

#### Provisos relating to the decision

A. If an Article 5 country selects option 2, it should be with the understanding that the Executive Committee may agree in exceptional cases to adjust the resulting baseline at the first instance a project from a country is considered, to take into account the demonstrated non-representative nature of the last year's data for reasons such as clearly demonstrated stockpiling in the specific 12-month period, and/or national economic difficulties in the specific 12-month period. In so considering, the Executive Committee shall not take into account illegal imports, as there should be agreement that firms that import illegally, or purchase illegal imports, should not benefit from Fund assistance. In any case, it must be perfectly clear that only the Montreal Protocol baseline will be used to determine compliance with the Montreal Protocol.

B. It is acknowledged that some future years' reported consumption may go above or below the levels that result from the agreed calculation, but if consumption numbers go above the resulting levels, such increases in consumption would not be eligible for funding. It is further noted that the resulting numbers represent maximum residual ODS that the Fund will pay to reduce, and that existing Fund guidance related to eligibility of projects would be maintained in all respects.

C. It is noted that RMPs and methyl bromide projects lead to a specific commitment of levels of reductions in national aggregate consumption relative to Montreal Protocol obligations, and that halon banking projects often lead to commitment for a total national phase-out and ban on the import of halon. Those projects should continue to be handled on that basis.

D. Institutional strengthening and non-investment activities, including UNEP activities and any country dialogues that may be approved, undeniably contribute to Article 5 reductions in the use of ODS, otherwise, there would be no need to fund these activities. That said, their direct ODS reduction impact has been notoriously difficult to quantify. The Technology and Economic Assessment Panel historically suggested that for methyl bromide, non-investment activities may be five times more cost-effective than phase-out projects, yielding a cost-effectiveness of under US \$4.25/kg. For the purposes of this endeavour, it has been agreed to take a much more conservative stance, and agreed



that all future non-investment activities be given a value that is not many times more cost-effective than investment projects, which is at US \$12.10/kg, which is one third as cost-effective as the average investment project approved under the Fund. This should be used as an interim figure until more research can be done on the issue.

E. While countries are still explicitly given the option of proceeding on a project by project or sector/national basis, it should be noted that in the case of broader plans such as production sector plans, RMPs, solvents sector plans, halon sector plans or national CFC phase-out plans, complicated issues such as selecting a starting point and ensuring national sustained reductions become less critical, as the agreements themselves embody a specific commitment to eliminate national aggregate consumption or production of the given substance on a specific schedule.

72. Decision 35/57 provided that, up to the year 2005, institutional strengthening projects and renewals should be approved at a level that was 30 per cent higher than the historically agreed level in order to help Article 5 countries implement the new Strategic Framework, although countries undertaking national phase-out plans embodied in phase-out agreements could receive funds at a higher level. Funding for country programme updates would be 75 per cent of the level originally provided for the relevant country programmes. Article 5 countries were also asked to select one of two options for determining the starting point for implementation of their national aggregate consumption.

73. At its 36<sup>th</sup> Meeting decided that Proviso (D) of the Decision regarding institutional strengthening and non-investment activities should not apply to low-volume consuming countries, but for all other countries the rate of US \$12.10 per ODP kilogramme would apply to CFC consumption and result in a reduction from the level established by the option selected by that country.

74. Pursuant to the aforementioned Decision, 93 countries have been requested to select one of the two options for determining the remaining ODS consumption eligible for funding by the Multilateral Fund. As at 30 October 2002, 71 countries had selected an option.

75. In view of the low rate of response, at its 37<sup>th</sup> Meeting the Executive Committee decided to set a deadline at eight weeks prior to the meeting at which the country concerned intended to submit a project for the Executive Committee's consideration and automatically to apply Option 1 if the country itself did not select an option. Nevertheless, requests from countries at risk of non-compliance would still be considered.

#### Strategic planning for the Multilateral Fund for 2003-2005

76. The 35<sup>th</sup> Meeting reviewed a document on the strategic planning for the Multilateral Fund, prepared pursuant to Decision 34/66 (c) (UNEP/OzL.Pro/ExCom/35/60) and requested the Secretariat to work with members of the Executive Committee to develop draft guidelines for the preparation, implementation and management of performance-based substance-wide and national phase-out agreements and to review the guidelines for the funding of institutional strengthening projects.

77. At its 36<sup>th</sup> Meeting, the Executive Committee considered a report on the progress achieved in implementing the Framework for the Strategic Planning of the Multilateral Fund adopted at its 33<sup>rd</sup> Meeting, as well as the changes required in the areas of business planning and in the work of the Executive Committee and its Sub-Committees (UNEP/OzL.Pro/ExCom/36/32). The modifications to business planning identified as necessary for implementing the Framework's outstanding elements related to resource planning, resource allocation and performance indicators. Following a discussion at the 36<sup>th</sup> Meeting, the Secretariat was requested to prepare another document for the 37<sup>th</sup> Meeting, taking into account the views expressed by members of the Executive Committee and the implementing agencies.

78. At the 37<sup>th</sup> Meeting, the Executive Committee discussed the report prepared by the Secretariat (UNEP/OzL.Pro/ExCom/37/65), which contained the draft guidelines requested by the 35<sup>th</sup> Meeting. Following the submission of concrete proposals for amendments and additions to the draft guidelines, the Meeting decided to convene a meeting of an informal open-ended working group prior to its 38<sup>th</sup> Meeting to consider revised draft guidelines prepared by the Secretariat, taking into account the proposals made at the 37<sup>th</sup> Meeting and subsequently in writing.

79. Also in the context of strategic planning, the 37<sup>th</sup> Meeting considered proposals for modifications to business planning for the 2003-2005 triennium, in particular resource planning and allocation (UNEP/OzL.Pro/ExCom/37/66 and Corr.1/Rev.1). Following a discussion on the issues involved, the Executive Committee adopted the document, together with the update report on the status of compliance (UNEP/OzL.Pro/ExCom/37/18, Corr.1, Add.1 and Add.1/Corr.1) as a flexible guide for resource planning in the 2003-2005 triennium. The Secretariat, in collaboration with the implementing agencies, bilateral agencies and Article 5 countries, was requested to prepare a model rolling three-year phase-out plan for the Multilateral Fund and to assess the feasibility of replacing the current system of project support costs by administrative budgets.

80. Lastly, in relation to strategic planning, the 37<sup>th</sup> Meeting discussed possible changes to the work of the Executive Committee as a result of modifications adopted in order to implement the Framework for Strategic Planning. The Secretariat was requested to prepare proposals on how to reorganise the work of the Executive Committee's Sub-Committees for submission to the 39<sup>th</sup> Meeting.

#### Country programme updates

81. The 35<sup>th</sup> Meeting discussed the role of country programmes in the formulation of national phase-out strategies and encouraged Article 5 countries to take advantage of the opportunity of updating their country programmes to prepare the national strategy for complying with their obligations under the Montreal Protocol. It also agreed upon a format for country programme updates and urged that these be completed within 12 months of approval of funding by the Executive Committee.

Project proposals for countries at risk of non-compliance

82. Pending a decision on non-compliance by the Parties, through the Implementation Committee, the Executive Committee, at its 37<sup>th</sup> Meeting decided not to approve project proposals in which a country would be in non-compliance with the control measure of the Montreal Protocol until the underlying issue of non-compliance had been dealt with by the Parties through the Implementation Committee.

Phase-out plans in the refrigeration sector

83. At its 37<sup>th</sup> Meeting, the Executive Committee decided that phase-out plans for manufacturing and servicing should not be separated but should form part of a sector phase-out plan for the whole refrigeration sector or total CFC phase out, as appropriate.

Refrigerant management plans (RMPs) for non-LVC countries

84. The Executive Committee, at its 37<sup>th</sup> Meeting, decided that interim steps should not be used in performance agreements relating to RMPs for large-volume consuming countries unless the use of CFC for manufacturing had been phased out, and the agreement should result in complete phase out as if it were part of a national CFC phase-out plan or a sector plan.

Choice of HCFC-141b for conversion projects

85. The choice of HCFC-141b for conversion projects was discussed at the 36<sup>th</sup> Meeting which considered a study on alternatives to CFCs in rigid foam applications prepared by a consultant retained by the Secretariat in response to a request from the Executive Committee (UNEP/OzL.Pro/ExCom/36/34) and a policy paper submitted by the Government of France. (UNEP/OzL.Pro/ExCom/36/35). The Secretariat was requested to provide new costs for various options and to investigate the availability of non-ODS pre-blended polyol, and to present its findings to the 39<sup>th</sup> Meeting of the Executive Committee. Implementing agencies were requested to provide data concerning import restrictions into non-Article 5 countries and the cost situation for alternatives. National Ozone Units in the countries concerned would also be reminded that HCFC-1412b projects would be excluded from funding in the future and that there would be no second conversion.

86. Annex II shows by country the amount of HCFC-141b consumption phased-in through projects using HCFCs as replacement, pursuant to Decision 36/56 (e) which *inter alia* states “That the annual Executive Committee report to the Meeting of the Parties should state by country the amount of HCFC-141b consumption phased in through projects using HCFC as replacements, a consumption which would - in application of Decision 27/13 - be excluded from funding at future stages.”

Draft guidelines for metered dose inhaler (MDI) projects

87. At its 37<sup>th</sup> Meeting, the Executive Committee considered the draft guidelines prepared by the Fund Secretariat with the assistance of a technical expert. The Executive Committee noted the draft guidelines and requested its members to submit comments on the issue to the Secretariat in time for a further discussion at the 40<sup>th</sup> Meeting of the Executive Committee;

88. The Executive Committee further decided to allow consideration of some projects on a case-by-case basis, taking into account the relative need of the country to have an MDI project to ensure compliance, the relative cost-effectiveness of the project and the possibility that essential use applications for MDIs might be considered by the Parties as early as 2008.

Funding of technology that is not in the public domain

89. The 35<sup>th</sup> Meeting noted the information provided by the Secretariat on discussions with the World Intellectual Property Organization and an international patent law firm. The 36<sup>th</sup> Meeting considered a study on the funding of such technology (UNEP/OzL.Pro/ExCom/36/31) and requested the Secretariat to pursue consultations with relevant international organizations. The 37<sup>th</sup> Meeting considered a report on the consultations and requested the Secretariat to draft guidelines for the financing of projects using such technology for submission to its 40<sup>th</sup> Meeting.

**H. Fund Secretariat activities**

90. During the period under review, the Fund Secretariat had prepared documentation and provided conference services for the 35<sup>th</sup>, 36<sup>th</sup> and 37<sup>th</sup> Meetings of the Executive Committee; three meetings each of the Sub-Committee on Project Review and the Sub-Committee on Monitoring, Evaluation and Finance and three meetings of the Subgroup on the Production Sector.

91. The Fund Secretariat had analysed and reviewed proposals for projects and activities from implementing agencies and bilateral donors with a total value of US \$559,900,500 including over US \$430 million submitted to the 38<sup>th</sup> Meeting. The Secretariat had provided comments and recommendations, as appropriate, on all proposals submitted for the Executive Committee's consideration.

92. During the period under review, the Executive Committee considered papers prepared by the Secretariat or consultants on the policy issues raised and reference documents, including the Inventory of Approved Projects and the Policies, Procedures, Guidelines and Criteria handbook were updated and circulated as appropriate.

93. The Chief Officer, with the Chair and/or Vice-Chair of the Executive Committee, had undertaken missions to China, Egypt, Japan, Kenya and Nigeria, and during the period under review the Secretariat had participated in a number of meetings, including network meetings.

94. On 22 February 2002, the Chief Officer of the Multilateral Fund Secretariat signed an agreement with the Provincial Government of Quebec, entitled ‘Entente entre le Fonds Multilatéral aux fins d’application du Protocole de Montréal relatif à des substances qui appauvrissent la couche d’ozone et le Gouvernement du Québec concernant les exemptions, les avantages fiscaux et les prérogatives de courtoisie consentis au Fonds Multilatéral, à ses fonctionnaires et aux représentants des Parties au Protocole’.

95. The Fund Secretariat awarded contracts for technical audits of chlorofluorocarbon (CFC) production facilities in Mexico and Venezuela and carbon tetrachloride (CTC) production in India, for the preparation of draft guidelines for metered dose inhalers and a study on liquid carbon dioxide technology.

96. At the 36<sup>th</sup> Meeting, the Chair of the Executive Committee was requested to explore with the Executive Director of UNEP the circumstances under which the contract of the Chief Officer might be extended. The Chair informed the Executive Committee of the follow-up to this request at the 37<sup>th</sup> Meeting and the decision by the Office of the Executive Director of UNEP to request the United Nations Office of Human Resources Management Service in New York for a legal opinion.

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

97. In response to Decisions VIII/5, VIII/7, IX/14, and X/31, the Executive Committee is annexing hereto its report to the Fourteenth Meeting of the Parties on actions taken to improve the financial mechanism for the implementation of the Montreal Protocol.

98. The 37<sup>th</sup> Meeting was informed that, as mandated by the Thirteenth Meeting of the Parties, the Secretariat had contracted a consultant to undertake the preparation of a study on the fixed exchange-rate mechanism.

#### **J. Reports of the Executive Committee**

99. The reports of the 35<sup>th</sup>, 36<sup>th</sup>, 37<sup>th</sup> and [38<sup>th</sup>] Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/35/67 and Corrs.1 and 2, UNEP/OzL.Pro/ExCom/36/36, UNEP/OzL.Pro/ExCom/37/71 and Corr.1 and [UNEP/OzL.Pro/ExCom/38/\_ \_] 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](http://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 Thirteenth Meeting of the Parties (UNEP/OzL.Pro.13/7, 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.

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 Thirteenth Meeting of the Parties:*

- *In the context of the new strategic orientation of the Multilateral Fund during the compliance period, the Executive Committee has been approving an increasing number of sector and/or national phase-out plans in which the sector-based cost-effectiveness thresholds applying to non-low-volume-consuming countries play a less significant role in the determination of total incremental costs. For CFC phase-out, the refrigeration servicing sector is not subject to a cost-effectiveness threshold. Similarly, the phase-out of carbon tetrachloride (CTC) and methyl bromide is not subject to cost-effectiveness thresholds.*
- *Action 6 has been overtaken by 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.

After discussions on the timing of initiation of further debate on the issue of concessional lending at the 32<sup>nd</sup> and 33<sup>rd</sup> Meetings, the Executive Committee decided to place the issue on the agenda of the 34<sup>th</sup> Meeting.

At its 34<sup>th</sup> 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 35<sup>th</sup> 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.

***Update since the Thirteenth Meeting of the Parties:***

- ***In accordance with Decision 35/62 of the Executive Committee, a one-day technical workshop was held in July 2002 under the sponsorship of the Government of Japan (as a bilateral contributor) to exchange views on the objectives and modalities of concessional lending including pros and cons; deepen understanding of operations of any practical and workable concessional lending schemes and review relevant experience of the Multilateral Fund and the implementing agencies as well as Article 5 countries in innovative financing in this field. This was done through the presentation and discussion of ten case studies; several such studies were introduced by programme managers from the field.***

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 Thirteenth Meeting of the Parties:*

- *There have been no new developments since the last report. Implementing and bilateral agencies remain aware of the benefits from mobilisation of non-Fund resources.*
- *National CFC phase-out plans for Brazil, Malaysia, Thailand and Turkey have incorporated rotating funds through which enterprises engaged in recycling or servicing, and in some cases equipment replacement, will repay a proportion of the cost of equipment provided under the project.*

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 28<sup>th</sup> Meeting the Executive Committee was informed that the report of the Informal Group was completed.

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

***Update since the Thirteenth Meeting of the Parties:***

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

**PART II: ACTIONS COMPLETED**

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

Actions 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 14, 15, 16, 17, 18, 19 and 20



Annex II**AMOUNTS OF HCFCs CONSUMPTION PHASED-IN (ODP TONNES)**

<b>Country</b>	<b>CFC phased out</b>	<b>HCFC phased in</b>
Algeria	36.9	3.4
Argentina	539.7	49.1
Bahrain	15.1	1.4
Bolivia	10.9	1.0
Bosnia and Herzegovina	16.1	1.5
Brazil	4,827.6	435.7
Chile	177.2	12.3
China	9,944.8	637.8
Colombia	486.6	44.2
Costa Rica	41.1	3.7
Cuba	0.8	0.1
Dominican Republic	134.1	12.2
Egypt	477.8	30.8
El Salvador	18.2	1.7
Guatemala	45.0	4.1
India	3,885.4	338.5
Indonesia	1,400.2	119.9
Iran	1,051.3	95.6
Jordan	317.4	28.9
Kenya	22.6	2.1
Lebanon	80.3	7.3
Libya	60.9	5.5
Macedonia	74.4	6.8
Malaysia	1,214.8	106.8
Mauritius	4.2	0.4
Mexico	1,873.0	152.2
Morocco	109.4	9.9
Nicaragua	7.9	0.7
Nigeria	349.1	31.7
Pakistan	571.7	52.0
Panama	14.3	1.3
Paraguay	67.0	6.1
Peru	145.6	13.2
Philippines	514.3	46.8
Romania	190.3	17.3
Sri Lanka	7.2	0.7
Sudan	4.4	0.4
Syria	401.5	36.5
Thailand	2,025.4	183.0
Tunisia	232.2	17.6
Turkey	368.8	33.5

<b>Country</b>	<b>CFC phased out</b>	<b>HCFC phased in</b>
Uruguay	103.7	9.4
Venezuela	543.8	49.4
Vietnam	44.0	4.0
Yemen	9.6	0.9
Yugoslavia	43.8	4.0
Zimbabwe	11.2	1.0
<b>Total</b>	<b>32,521.2</b>	<b>2,622.1</b>

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