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SIXTEENTH MEETING OF THE PARTIES
TO THE MONTREAL PROTOCOL ON
SUBSTANCES THAT DEplete THE
OZONE LAYER
Prague, 22-26 November 2004

**REPORT OF THE EXECUTIVE COMMITTEE TO THE
SIXTEENTH 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 Fifteenth 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 action taken by the Executive Committee to improve the financial mechanism.

2. During the reporting period, the 41st and 42nd Meetings of the Executive Committee were held in Montreal from 17 to 19 December 2003 and from 29 March to 2 April 2004 respectively, and the 43rd Meeting was held in Geneva from 5 to 9 July 2004. The reports of those meetings of the Executive Committee are contained in documents UNEP/OzL.Pro/ExCom/41/87, Corrs.1 and 2, UNEP/OzL.Pro/ExCom/42/54, and UNEP/OzL.Pro/ExCom/43/61 and Corr.1 respectively.

3. In accordance with decision XIV/38 of the Fourteenth Meeting of the Parties, the 41st Meeting of the Executive Committee was attended by Austria, Belgium, Canada, France, Hungary, Japan (Chair), and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Bolivia, Burundi, El Salvador (Vice Chair), India, Jordan, Mauritius, and Saint Lucia, representing Parties operating under paragraph 1 of Article 5.

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4. In accordance with decision XV/46 of the Fifteenth Meeting of the Parties, the 42nd and 43rd Meetings of the Executive Committee were attended by Austria (Vice-Chair), Belgium, Canada, Hungary, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, representing Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol, and by Argentina (Chair), Bangladesh, China, Cuba, the Islamic Republic of Iran, Mauritius, and Niger, representing Parties operating under paragraph 1 of Article 5.

5. The 41st Meeting was chaired by Mr. Tadanori Inomata (Japan), with Mr. Francisco E. Guevara Masis (El Salvador) acting as Vice-Chair, while the 42nd and 43rd Meetings were chaired by Ms. Marcia Levaggi (Argentina), with Mr. Paul Krajnik (Austria) acting as Vice-Chair.

6. Mr. Tony Hetherington, Officer-in-Charge, acted as Secretary for the 41st Meeting and Ms. Maria Nolan, Chief Officer, acted as Secretary for the 42nd and 43rd Meetings.

A. Procedural matters

7. At its 41st Meeting, the Executive Committee decided to abolish the Sub-Committee on Monitoring, Evaluation and Finance and the Sub-Committee on Project Review and to examine all items in plenary. The new regime was to be introduced on a trial basis for a year from the first meeting in 2004, and the Secretariat was requested to submit a report on its operation to the 44th Meeting. Consequently, the 42nd and 43rd Meetings considered all the items previously discussed by the Sub-Committees in plenary.

8. Prior to the above decision by the Executive Committee, the Sub-Committee on Monitoring, Evaluation and Finance, composed of the representatives of Austria, Belgium, Canada (Chair), El Salvador, Hungary, Jordan and Mauritius, held its 21st Meeting back-to-back with the 41st Meeting of the Executive Committee. Its report to the 41st Meeting is contained in document UNEP/OzL.Pro/ExCom/41/6. The Sub-Committee on Project Review, composed of the representatives of Bolivia, Burundi, France (Chair), India, Japan, Saint Lucia and the United States of America, held its 30th Meeting back-to-back with the 41st Meeting of the Executive Committee. Its report to the 41st Meeting is contained in document UNEP/OzL.Pro/ExCom/41/14.

9. At the 41st Meeting, the Members of the Executive Committee extended a warm welcome to Ms. Maria Nolan on her appointment as Chief Officer.

Subgroup on the Production Sector

10. The Subgroup on the Production Sector, reconstituted at the 39th Meeting and composed of Bolivia, Canada (facilitator), El Salvador, France, India, and the United States of America met in the margin of the 41st Meeting. Its meeting was also attended by representatives of UNIDO and the World Bank.

11. The 42nd Meeting decided to reconstitute the Subgroup once more with the following composition: Bangladesh, Canada (facilitator), China, Cuba, Japan, Mauritius, the United Kingdom of Great Britain and Northern Ireland, and the United States of America. The Subgroup accordingly met in the margin of the 42nd and 43rd Meetings.

Open-ended Working Group on Refrigerant Management Plans

12. The Open-ended Working Group on Refrigerant Management Plans, established by the 40th Meeting of the Executive Committee to discuss ways of reorienting the approach to refrigerant management plans to facilitate compliance, met in the margin of the 41st Meeting.

B. Financial matters

Status of contributions and disbursements

13. As at 30 June 2004, the total income to the Multilateral Fund, including interest, bilateral contributions and miscellaneous income, amounted to US \$1,776,127,084, and total allocations, including provisions, amounted to US \$1,735,244,636. The balance available at 30 June 2004 therefore amounted to US \$40,882,447.

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

YEARLY DISTRIBUTION OF CONTRIBUTIONS AGAINST PLEDGES

Year	Pledged contributions US \$	Total payments US \$	Arrears/outstanding pledges US \$
1991 – 1993	234,929,241	210,392,697	24,536,544
1994 – 1996	424,841,347	393,465,069	31,376,278
1997 – 1999	472,567,009	429,722,955	42,844,054
2000-2002	440,000,001	428,686,084	11,313,917
2003-2004	316,000,000	168,709,747	147,290,254
Total:	1,888,337,598	1,630,976,552	257,361,047

Note: As of 30 June 2004.

15. At the 41st Meeting, the Treasurer informed the Executive Committee that, as requested, the assumptions and methodology used by the Treasurer in compiling the status of contributions and disbursement had been placed on the Fund Secretariat's web site and were available for reference by Members.

Contributions in arrears

16. As at 30 June 2004, the accumulated arrears for 1991-2004 stood at US \$257,361,047. Of this amount, US \$102,129,785 is associated with countries with economies in transition (CEITs), and US \$155,231,262 is associated with non CEIT countries. Outstanding contributions for 2004 amounted to US \$112,993,870.

17. The percentage of payments in relation to pledged amounts for 2004 was 28 per cent as at 30 June 2004. Parties were once again urged to make their contributions in a timely manner and, where payment was not possible by 1 June each year, Parties were asked to notify the Treasurer of when payment could be expected.

Bilateral contributions

18. During the period under review, the Executive Committee approved requests by Canada, France, Germany, Japan, Spain, Sweden, and Switzerland to credit bilateral assistance amounting to a total of US \$ 13,860,255. This brings the total for bilateral cooperation to US \$ 78.8 million, representing approximately 4.4 per cent of funds approved. The range of bilateral projects approved included, inter alia, refrigerant management plans (RMPs) and RMP updates, project preparation, technical assistance for the halon sector, ODS, CFC, and CTC phase-out plans, methyl bromide phase-out, terminal phase-out management plans for ODS, recovery and recycling, a study on the long term management of HCFCs, institutional strengthening, and a handbook on industry operated systems for recovery and reuse of ODS.

Issues pertaining to contributions

19. The question of treatment/encashment of promissory notes was discussed at all the Meetings during the period covered by this report, and it was noted that there had been a reduction in losses to the Fund from the use of the fixed-exchange-rate mechanism and the encashment of promissory notes. The Treasurer was requested by the 41st Meeting to report on the historical use of promissory notes and on rules/and or systems for the transparent and equitable encashment of promissory notes used in other forums. The 43rd Meeting subsequently considered the report prepared by the Treasurer, which found that, on the whole, promissory notes were effective tools but that further refinements were required. As some of the recommendations in the report required further study, it was agreed to return to the question at the 44th Meeting.

20. The 41st Meeting requested the Treasurer to cancel the set-aside of US \$500,000 for the study of the evaluation of the financial mechanism in the light of decision XV/52 of the Fifteenth Meeting of Parties to allocate US \$500,000 to the Ozone Secretariat to facilitate the review of the financial mechanism.

2002 and 2003 accounts of the Multilateral Fund

21. The 41st Meeting considered the reconciliation of the 2002 accounts of the Fund and requested the Treasurer, the Secretariat and the implementing agencies to provide clarification and make some adjustments in order to ensure that the expenditures in the progress reports

submitted to the Secretariat were consistent with those in the annual accounts submitted to the Treasurer. The 42nd Meeting again reviewed the reconciliation of the 2002 accounts after receiving an explanation for the adjustments that had been made and requested the Secretariat to approach the board of external auditors of the United Nations for assistance in determining the initial start-up costs for UNDP. Subsequently, the 43rd Meeting returned to the issue of the reconciliation of the 2002 accounts and noted the letter received from the United Nations Controller on UNDP's initial start-up costs, and retained the audited level of the initial start-up costs. The Meeting also discussed a recommendation that interest collected from bilateral activity funding included in interest-bearing accounts be returned to the Multilateral Fund for re-programming and agreed to return to the question at its 44th Meeting.

22. Although the audit of the 2003 accounts by UNON had been completed, the signed management letter and final recommendations were only expected later in 2004 and the 2003 accounts were therefore presented to the 43rd Meeting for information only.

Revised 2003 and 2004 budgets of the Fund Secretariat

23. The 41st Meeting approved a revision to the 2003 budget of the Fund Secretariat to take into account higher salary costs, noting that personnel costs were determined by United Nations system-wide practices, which the Secretariat was obliged to follow. It approved the revised 2003 budget at the amount of US \$3,770,650 and the 2004 budget at an amount of US \$3,798,558. The latter took into account the revised staff component for 2005 and the proposed staff component for 2006.

Service of the Treasurer

24. At the 40th Meeting, the Executive Committee had considered a report by a consultant on the service of the Treasurer and had requested UNEP to continue acting as Treasurer for the time being. Subsequently, as requested, the Secretariat had prepared a draft agreement, which was considered by the 41st Meeting. UNEP was requested to continue acting as Treasurer at an annual fee of US \$301,000 pending the preparation of the new agreement, which would take into account the comments made by Members.

25. Subsequently, the 42nd Meeting reviewed the revised draft agreement with UNEP and made some further amendments, following which the agreement was approved, appointing UNEP as Treasurer at an annual fee of US \$500,000, inclusive of annual inflation, for a period of five years starting on 1 April 2004.

Audit of the Multilateral Fund Secretariat

26. The 41st Meeting noted the report by the Chair confirming that the audit of the Secretariat of the Multilateral Fund by the Office of Internal Oversight Services had shown that prior recommendations had been implemented satisfactorily and that no issues warranting additional work had been identified.

C. Business planning and resource management

Financial planning for the triennium 2003-2005

27. The 41st Meeting reviewed the administrative cost regime and its core unit funding budget and approved US \$1.5 million each for core unit funding for 2004 for UNDP, UNIDO and the World Bank. It also requested the Secretariat, in consultation with bilateral agencies, to compile historical data on the rates of programme support costs of bilateral cooperation projects and the methodology used for the calculation of such rates and decided to monitor the administrative cost regime, bearing in mind the need to maintain an overall rate of administrative costs below 10 per cent.

28. At the 41st Meeting, the Executive Committee confirmed that the modalities agreed upon by the 40th Meeting for funds to be allocated to a funding window to accelerate phase-out, maintain momentum and meet the as yet unidentified compliance needs of Article 5 countries should continue to apply.

29. At the same Meeting, the Executive Committee requested the Secretariat to prepare a financial planning document that provided guidance on the funding allocations for the remainder of the 2004-2006 triennium, including the possible establishment of a funding window for accelerated phase-out and maintaining momentum to enable Article 5 countries to achieve compliance.

30. The issue of concessional lending was also considered by the 41st Meeting, which noted that the implementing agencies and Article 5 countries concerned had accumulated sufficient competence and expertise to further identify and implement projects with innovative financing. It therefore decided to request the Secretariat, the implementing agencies and bilateral agencies to continue to explore opportunities and possibilities for carrying out more pilot and demonstration projects in countries that wished to do so.

31. The 42nd Meeting considered the financial planning document prepared by the Secretariat, which indicated the amount that would be available in the funding window for accelerated phase-out/maintaining momentum. It decided to adopt a resource allocation of US \$237 million for 2004 and US \$178 million for 2005, with any remaining funds from 2004 to be allocated to 2005, and noted that all projects in the bilateral and implementing agencies' 2004 business plans for accelerating phase-out and maintaining momentum could be considered for funding in 2004. The Secretariat, in consultation with bilateral and implementing agencies, was requested to prepare a paper for submission to the 44th Meeting analysing the potential need for projects to accelerate phase-out and maintain momentum, and to provide guidance on the need for a funding window.

32. The 42nd Meeting adopted a model rolling three-year phase-out plan for the Multilateral Fund for the years 2004-2006, which indicated the amounts that needed to be approved for funding to enable all Article 5 countries to achieve the 2005 and 2007 phase-out targets and ultimately the 2010 phase-out. The model plan serves as a reference for resource planning for

the 2004-2006 triennium and the Secretariat was requested to prepare an updated model plan for the years 2005-2007 in order to provide guidance in the preparation of the Multilateral Fund's 2005-2007 business plan.

2004 business plans of the Multilateral Fund

33. At its 42nd Meeting, the Executive Committee considered the consolidated business plan of the Multilateral Fund, which consolidated the implementing and bilateral agencies' 2004-2006 business plans. The plans addressed all of the phase-out needs identified in the three-year plan in order to enable Article 5 countries to achieve their control measures up to and including those for 2007.

34. In reviewing the business plans of the bilateral agencies, the 42nd Meeting requested them to establish arrangements such as agreements with other appropriate implementing and bilateral agencies for multi-year projects which would result in forward commitments into the next replenishment period in order to ensure that projects received the full funding approved.

35. The 42nd Meeting also endorsed the 2004-2006 business plans of UNDP, UNEP, UNIDO, and the World Bank, adding that endorsement did not denote approval of the projects identified therein nor their funding levels.

36. Concern was expressed at the 43rd Meeting regarding the large number of projects from the 2004 business plans not yet submitted to the Executive Committee. It was emphasized that, with the 2005 and 2007 targets fast approaching, it was urgent for countries to implement the projects they needed to achieve compliance. The Executive Committee therefore urged bilateral and implementing agencies with projects in the 2004 business plans for countries at risk of non-compliance to submit those projects to the 44th Meeting as a matter of urgency and requested the Secretariat to prepare a document on a potential procedure for intersessional approval of projects for countries at risk of non-compliance when such projects were in the business plan for a given year and there was no disagreement between the Secretariat and the implementing agency.

2003 and 2004 work programmes

37. The 41st, 42nd and 43rd Meetings approved amendments to the 2003 and 2004 work programmes of the implementing agencies, subject to a certain number of criteria and comments relating to individual projects.

D. Fund achievement

Total ODS phased out

38. Since 1991, 4579 (excluding cancelled and transferred projects) projects and activities have been approved with the following geographical distribution: 2,025 projects and activities for countries in Asia and the Pacific; 1,176 for countries in Latin America and the Caribbean, 907 for countries in Africa, 230 for countries in Europe and 241 with global coverage. Of

the 184,532 ODP tonnes of ODS consumption to be eliminated when all these projects are implemented, a total of 148,238 ODP tonnes of consumption of ODS had already been phased out as of the end of 2003. Of the 75,206 ODP tonnes of ODS to be eliminated from the production sector, 61,319 ODP tonnes had been phased out as of the end of 2003. The sectoral distribution of this phase-out is indicated in the table below:

Sectors	ODP tonnes phased out*
Consumption	
Aerosol	23,676
Foam	49,943
Fumigant (methyl bromide)	1,233
Halon	34,108
Projects in multiple sectors	36
Process agent	905
National phase out plan	1,741
Refrigeration	32,590
Several	42
Solvent	3,069
Sterilant	21
Tobacco expansion	874
Total Consumption:	148,238
Production	
Halon	20,982
CFC	31,008
CTC	9,295
TCA	34
Total Production:	61,319

*Excluding cancelled and transferred projects

Funding and disbursement

39. 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 \$1,686,944,432, including US \$155,027,678 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	451,393,513	322,837,029
UNEP	86,752,205	60,613,787
UNIDO	374,982,508	270,362,224
World Bank	694,222,733	510,446,945
Bilateral	79,593,472	46,301,054
Total	1,686,944,432	1,210,561,038

(1) As at 31 August 2004 (excluding cancelled and transferred projects)

(2) As at 31 December 2003 (excluding cancelled and transferred projects)

Projects and activities approved during the period under review (October 2003 September 2004)

40. During the period under review, the Executive Committee approved a total of 284 additional projects and activities, with a planned phase-out of 24,268.ODP tonnes in the production and consumption of controlled substances. It approved US \$203,279,226, including US \$14,913,779 for agency support costs, for their implementation, as follows:

Agency	US \$	US \$ Support	US \$ Total
UNDP	43,428,171	3,373,856	46,802,027
UNEP	12,947,022	969,047	13,916,069
UNIDO	46,177,224	3,399,205	49,576,429
World Bank	72,423,036	5,650,901	78,073,937
Bilateral	13,389,994	1,520,770	14,910,764
Total	188,365,447	14,913,779	203,279,226

Investment projects

41. Of the total funds approved in the period under review, the Executive Committee allocated US \$169,826,077, including US \$12,662,848 for agency support costs, for the implementation of 76 investment projects which will eliminate an estimated quantity of 23,301 ODP tonnes in consumption and production of ODS.

42. The following is a breakdown by sector:

Sector	ODP	US \$	US \$ for project preparation
Aerosol	176	7,137,316	177,913
Foam	3,132	16,464,852	0
Fumigant	792	11,448,579	80,625
Halon consumption and production	0	1,290,000	0
Multiple sectors	0	0	0
National phase out plan	3,458	59,654,921	178,385
Process agent	6,657	17,200,000	134,375
Production	6,566	34,202,885	43,000
Refrigeration	1,358	12,455,477	336,275
Solvent	962	8,037,047	97,825
Sterilant	0	0	0
Tobacco	200	1,935,000	0
Total	23,301	169,826,077	1,048,398

43. During the period under review, the Executive Committee approved agreements with the following countries relating to the projects indicated:

Country	Project	To be implemented by	US \$ Cost	US \$ Support	US \$ Total
Fumigant sector					
Bosnia and Herzegovina	Phase-out of methyl bromide in horticulture	UNIDO	229,000	20,610	249,610

Country	Project	To be implemented by	US \$ Cost	US \$ Support	US \$ Total
Côte d'Ivoire	Phase-out of methyl bromide commodities and storage fumigation	UNIDO	222,210	19,999	242,209
Phase-out plans					
Argentina	National CFC phase-out plan	UNIDO	7,360,850	552,064	7,912,914
Bangladesh	National ODS phase-out plan	UNDP and UNEP	1,355,000	119,775	1,474,775
Bosnia and Herzegovina	National ODS phase-out plan	UNIDO	864,160	64,812	928,972
Cuba	National CFC phase-out management plan: phase-out of ODS in the refrigeration and air-conditioning sector	France, Canada, Germany, UNDP	2,145,000	256,245	2,401,245
Colombia	National phase-out plan for Annex A (Groups I and II) substances	UNDP	4,500,000	337,500	4,837,500
Ecuador	National CFC phase-out plan	World Bank	1,689,800	126,735	1,816,535
India	National CFC consumption phase-out plan focusing on the refrigeration servicing sector	Germany, Switzerland, UNDP, UNEP, UNIDO	6,338,120	757,536	7,095,656
Islamic Republic of Iran	National CFC phase-out plan	France, Germany, UNDP, UNEP, UNIDO	11,250,000	1,096,522	12,346,522
Libyan Arab Jamahiriya	National CFC phase-out plan	UNIDO	2,497,947	187,346	2,685,293
Mexico	National CFC phase-out plan	UNIDO	8,794,500	659,588	9,454,088
Serbia and Montenegro	National CFC phase-out plan	Sweden, UNIDO	2,742,544	224,384	2,966,928
Venezuela	National CFC phase-out plan	UNIDO	6,240,555	468,042	6,708,597
Production sector					
China	Phase out of the production of TCA	World Bank	2,100,000	157,500	2,257,500
Solvent sector					
Democratic People's Republic of Korea	Plan for terminal phase-out of CTC	UNIDO	5,684,840	426,363	6,111,203
India	CTC phase-out plan for the consumption and production sectors, balance of the 2003 tranche and 2004 annual programme	World Bank	3,520,843	264,063	3,784,906
Pakistan	Sector phase-out plan for CTC	UNIDO	2,745,665	205,924	2,951,589

Production sector

44. The facilitator of the Subgroup on the Production Sector reported to the 41st Meeting on the Subgroup's work, following which the Executive Committee made a number of recommendations concerning the CTC phase-out plan for the consumption and production sectors in India, development of the sector phase-out plan for phasing out TCA production and the CTC/TCA audit report in China., and the Venezuela CFC production phase-out project.

45. During the 42nd Meeting of the Executive Committee, the Subgroup considered a list of ODS production phase-out projects in the pipeline prepared by the Secretariat.

46. The 43rd Meeting authorized the Secretariat to proceed with the technical audit of methyl bromide production in China and the technical audits of ODS producers in Romania, subject to certain criteria. It also approved in principle the China TCA production closure project at a total level of funding of US \$2.1 million plus agency support costs of US \$157,500 for the World Bank, together with the relevant Agreement between the Government of the People's Republic of China and the Executive Committee.

Non-investment activities*Technical assistance and training*

47. During the period under review, 114 technical assistance and training projects amounting to US \$26,440,562, including US \$1,949,001 for agency support costs, were approved, bringing the cost of technical assistance projects and training activities approved since the inception of the Multilateral Fund to a total of US \$164,003,391. This amount does not include the non investment components of the multi-year phase-out agreements.

Compliance Assistance Programme (CAP)

48. UNEP's budget for the Compliance Assistance Programme (CAP) for 2004, amounting to US \$6,757,900 with support costs of US \$540,632, was approved by the Executive Committee at its 41st Meeting. The budget included 12-months' costs for the European/Central Asian regional network pro rata on 2003 costs, a 9.9 per cent increase for staff costs on the basis of forecasted actual costs, and an overall allowance of 4 per cent inflation to cover all other costs with a few specific exceptions. The Meeting also decided that the budget should be reviewed one year later on the basis of the results achieved.

49. UNEP was requested by the 41st Meeting to investigate how it could prepare unified budgets for the CAP. The 43rd Meeting heard an explanation from the Treasurer to the effect that three steps would have to be taken in order to establish unified budgets for all implementing agencies: (i) the status of the UNEP Trust Fund would have to be changed from a special to a general purpose fund; (ii) UNEP Governing Council approval would be required for the establishment of the general fund; and (iii) agreements between the Executive Committee and UNEP and between the Executive Committee and the implementing agencies would have to be amended.

50. The 41st Meeting adopted performance indicators specific to the CAP to replace those related to UNEP's mandate.

Institutional strengthening

51. During the period under review, US \$5,743,624, including agency support costs of US \$200,867, were approved for institutional strengthening projects. This brings the total approvals by the Executive Committee to US \$46,603,244 for institutional strengthening projects in 133 Article 5 countries.

52. The 42nd Meeting discussed support for data reporting in Article 5 countries and urged implementing and bilateral agencies to provide all possible assistance to countries for which they were implementing institutional strengthening projects in order to eliminate instances of non-reporting of data.

53. The 43rd Meeting reviewed a desk study on the potential implications of subsequently increasing the amounts approved for institutional strengthening projects, which had been requested by the 42nd Meeting, and decided to supplement the lower ranges of annual funding levels for institutional strengthening for very low-volume-consuming countries (VLVCs) and low volume consuming countries (LVCs) up to a threshold level of US \$30,000 per year, on the understanding that this amount could be reviewed in the context of the review of institutional strengthening funding levels due to be considered in 2005. The increase would be provided on the condition that the relevant country duly assigned a full-time officer to manage the ozone unit and that a national licensing system controlling ODS imports was in place.

54. The Executive Committee expressed its views on a number of institutional strengthening projects at the 41st, 42nd and 43rd Meetings and these were annexed to the Meetings' reports.

Country programmes

55. During the period under review, country programmes were approved for Cambodia, Guinea-Bissau, Liberia, Rwanda, Sierra Leone, and Suriname. Country programme updates were also approved for Colombia, the Democratic People's Republic of Korea, the Islamic Republic of Iran, Lebanon, Mexico, Mongolia, Morocco, Pakistan, and Romania.

56. The total number of approved country programmes thus rose to 129 covering the estimated production of 82,090 ODP tonnes of CFCs and halons and consumption of 159,640 ODP tonnes of controlled substances (as stated in the country programme documents).

E. Monitoring of project implementation

Progress reports

57. The 41st Meeting also took note of reports submitted by UNIDO for the former Yugoslav Republic of Macedonia, Malawi and Uruguay, and by UNDP on technical assistance for methyl bromide reductions and formulation of regional phase-out strategies for low-volume-consuming countries in Africa.

58. Progress reports on the implementation of methyl bromide projects in Guatemala and Honduras were considered by the 42nd Meeting, which decided to adopt modifications to the methyl bromide phase-out schedules for Guatemala and Honduras in order to enable them to meet the methyl bromide freeze and the 20 per cent reduction targets in 2005 and 2007.

59. At its 43rd Meeting, the Executive Committee took note of the progress report on bilateral cooperation, the progress reports of the implementing agencies and the consolidated progress report prepared by the Secretariat as at 31 December 2003. It decided to monitor a number of the projects indicated in the progress reports, requesting that additional status reports be submitted subsequently. The Committee also noted a report on evaluation of the implementing agencies' 2003 business plans.

60. In addition, the 43rd Meeting noted the progress report on the implementation of a methyl bromide phase-out project in Chile and a request for a change of technology of a methyl bromide phase-out project in Lebanon

Project implementation delays

61. At the three Meetings held during the period under review, the Executive Committee noted that, with regard to projects subject to implementation delays, the Secretariat would take the established action according to its assessment of status and would notify the governments and implementing agencies concerned. At all the Meetings, the Secretariat provided information on the extent to which the milestones set by the Executive Committee had been achieved.

62. During the period under review, it was decided to cancel two projects by mutual agreement with the governments concerned and six projects were automatically cancelled according to the established procedure.

Performance indicators

63. The 41st Meeting adopted performance indicators for the evaluation of the performance of the implementing agencies, commencing in the year 2004, together with appropriate weighting. It was agreed that the indicators would be subject to review from time to time.

64. The implementing agencies were requested by the 41st Meeting to propose qualitative performance indicators as part of their 2004 business plans. The 42nd Meeting subsequently considered new sets of performance indicators proposed by the World Bank and UNEP, but decided that further work was required and Members were invited to submit proposals on

qualitative performance indicators to the Secretariat with a view to submitting a report to the 44th Meeting. The 42nd Meeting also requested the Secretariat to present the development over time of the performance indicators for each implementing agency as part of the consolidated business plan in order to enable comparison and evaluation of their performances.

65. The performance indicators for UNDP, UNEP, UNIDO and the World Bank were approved at the 42nd Meeting and attached to the report of that Meeting.

Completed projects with balances

66. During the reporting period, the implementing agencies returned to the Multilateral Fund a total of US \$7,813,334, including US \$835,751 in agency support costs, from completed or cancelled projects, as indicated in the table below:

Agency	Total funds returned (US \$)	Total support cost returned (US \$)
UNDP	2,481,813	321,793
UNEP	579,812	66,724
UNIDO	1,677,594	199,149
World Bank	2,238,364	248,085
Total	6,977,583	835,751

Methodology for assessing multi-year progress reports and technical audits

67. Pursuant to a request made to the Secretariat at the 41st Meeting, the proposed criteria for the assessment of progress reports and verification audits of multi-year agreements (MYAs) were considered by the 43rd Meeting. The Executive Committee agreed that it was too soon to take a decision and Members, implementing agencies and bilateral agencies were invited to submit written comments to the Secretariat with a view to submission of revised criteria to the 44th Meeting.

Implementation of monitoring and evaluation work programmes for 2003 and 2004

Monitoring and evaluation work programme for the year 2004

68. The 41st Meeting approved the proposed 2004 work programme for monitoring and evaluation at an amount of US \$256,000 and noted the consolidated project completion report for 2003, making a number of requests to implementing agencies for further information and clarification.

Final report on the evaluation of the implementation of refrigerant management plans (RMPs)

69. The 41st Meeting noted the final report on the evaluation of the implementation of refrigerant management plans (RMPs) and decided to transmit the recommendations therein to the open-ended working group on RMPs set up by the Executive Committee at its 40th Meeting. The decision that resulted from the discussion of this issue at the 41st Meeting is reflected in paragraph 77 below.

Report on the intermediate evaluation of CFC production sector phase-out agreements

70. The 42nd Meeting considered the report on the intermediate evaluation of CFC production sector phase-out agreements, which presented the findings and recommendations resulting from evaluation missions to China, the Democratic People's Republic of Korea, and India in 2004. The Executive Committee noted some discrepancies in data and requested that the data be clarified by the governments concerned and the implementing agencies. Furthermore, the Secretariat, in cooperation with the World Bank and UNIDO, was requested to review the verification guidelines adopted by the 32nd Meeting. The comments by the Secretariat on the report received from the Government of India were reviewed at the 43rd Meeting. The recommendations of the evaluation are reflected in the decision taken by the 41st Meeting, following the deliberations of the open-ended working group

Report on the intermediate evaluation of the solvent sector phase-out plan in China

71. The 42nd Meeting noted the report on the intermediate evaluation of the solvent sector phase-out plan in China drawn up following evaluation missions to China in November 2003 and January 2004 and recommended that the Government of China, in cooperation with UNDP, give consideration to the recommendations contained therein.

Desk study on methyl bromide projects

72. The desk study on methyl bromide projects before the 43rd Meeting of the Executive Committee showed that, although much had been achieved, there was still a long way to go to achieve full phase-out in 2015. As it was difficult to obtain a comprehensive picture of the progress being made and the problems encountered simply through the documents available, field visits would be made to some 10 countries during the second phase of the evaluation.

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

73. The Executive Committee, at its 43rd Meeting, considered a report on status/prospects of Article 5 countries in achieving compliance with the initial and intermediate control measures of the Montreal Protocol. Concern was expressed at the high number of countries at risk of non-compliance which were not covered in the business plans of the implementing agencies. It was felt that more information was required on the reasons for non-compliance, and the Secretariat was requested to include in its future reports on non-compliance information and views from Article 5 countries as to the nature of the impediments preventing them from achieving compliance with the control measures of the Montreal Protocol, in particular with regard to low-volume-consuming countries.

74. In addition, bilateral and implementing agencies, in cooperation with the Secretariat, were urged to include phase-out activities and UNEP CAP activities in their 2005-2007 business plans, as an immediate priority, for unfunded eligible consumption for countries in non-compliance or at risk of non-compliance with specific Montreal Protocol control measures for 2005 and 2007.

G. Policy matters

Liquid carbon dioxide (LCD) technology and guidelines for LCD projects

75. Pursuant to a request made by the 40th Meeting, the Secretariat presented its findings regarding LCD foam projects to the 41st Meeting, which decided that any future projects for LCD technology should be developed taking fully into consideration the following factors: (i) the ability of the technology to produce the specific foam grade manufactured by the enterprise; (ii) the compatibility between the equipment provided by the LCD technology supplier and the equipment in place in the enterprise; (iii) the need for long-term technical support beyond the currently-defined completion date of the projects; (iv) the ability of LCD technology to contribute to reductions in CFC-11 consumption soon enough to meet the schedules in relevant national CFC phase-out plans; and (v) the need for countries to provide written confirmation that they understood the possible problems with the application of the technology.

Changes to procedures

76. The 41st Meeting discussed proposed changes to procedures in order to enable the Secretariat to produce project documents describing proposed agreements in a timely manner. The changes were intended to relate to the procedures of the Sub-Committee on Project Review, but in the light of the decision to abolish the Sub-Committee, they became applicable to the work of the Executive Committee itself. The main changes were: (i) if cost-related issues associated with projects were not resolved one week before a Meeting, the projects would not be considered at that Meeting; (ii) to the extent possible, projects would not be discussed until up-to-date documentation was available; (iii) where the Secretariat was recommending approval of subsequent tranches of multi-year agreements without comment, related approvals would initially be included in the list of projects for blanket approval; and (iv) at each Meeting, the Committee would be provided with a document showing the implications for additional forward funding if all of the projects recommended for forward funding at that Meeting were approved.

Refrigerant management plans

77. The 41st Meeting discussed the need for flexibility in implementing refrigerant management plans in order to reflect changing circumstances and decided the following:

- (a) Bilateral and implementing agencies, in collaboration with Article 5 countries preparing and implementing refrigerant management plans, should be given flexibility, within historically agreed funding levels, to implement refrigerant management plan components that are adapted to meet the specific needs of relevant Article 5 countries, and that planned changes to project activities should be clearly documented and available for future monitoring and evaluation in accordance with Fund rules; and

- (b) In developing appropriate interventions, Article 5 countries and bilateral and implementing agencies should give consideration to:
- (i) Concentrating support on the development of legislation and coordination mechanisms with industry, where these are not yet in place, and on further training programmes for refrigeration technicians and customs officers, using existing national capacities and providing expert support and resources such as equipment and tools required; this should also include efforts to raise awareness of the value of skilled technicians for end users and for stakeholders;
 - (ii) Also concentrating recovery and reuse of CFC on large-size commercial and industrial installations and mobile air conditioner (MAC) sectors, if significant numbers of CFC-12 based systems still exist and the availability of CFC is strongly reduced by the adoption of effective import control measures;
 - (iii) Further exploring possibilities for facilitating cost-effective retrofitting and/or use of drop-in substitutes, possibly through incentive programmes;
 - (iv) Becoming more selective in providing new recovery and in particular recycling equipment by:
 - a. establishing during project preparation a sounder estimate of the likely demand for recovery and recycling equipment;
 - b. delivering equipment to the country only against firm orders and with significant cost participation by the workshops for equipment provided, using locally-assembled machines to the extent possible;
 - c. procuring, delivering and distributing equipment in several stages, after reviewing the utilization of equipment delivered and verifying further demand; and
 - d. ensuring that adequate follow-up service and information are available to keep the recovery and recycling equipment in service; and
 - (v) Monitoring the use of equipment and knowledge acquired by the beneficiaries, on an ongoing basis, through regular consultations and collection of periodic reports from the workshops, to be carried out by national consultants in cooperation with associations of technicians. Progress reports based on such monitoring should be prepared annually by the consultant and/or the National Ozone Units, in cooperation with the implementing agency, as provided for in Decision 31/48, and sufficient additional resources should be made available to allow for such follow-up and reporting work.

Funding of studies on HCFC use

78. The 42nd Meeting discussed the eligibility of funding HCFC phase-out management studies by the Multilateral Fund, and in particular the funding of a study on HCFC use in China. It noted that no such project had yet been approved and also: that Multilateral Fund policy specifically excluded funding second-stage industrial conversions from HCFCs to non-ODS substances, and that the “Assessment of the funding requirement for the replenishment of the Multilateral Fund for the period 2003-2005” of the Technology and Economic Assessment Panel (TEAP) did not include funding for HCFC-related activities. The Executive Committee requested that a policy paper on the issues of the responsibility of the Multilateral Fund and potential eligibility requirements for such a study be put before the 43rd Meeting.

79. The policy paper requested was presented to the 43rd Meeting, which noted that the TEAP Task Force Report predicted a dramatic increase in HCFC consumption in China in the foreseeable future. It accordingly decided to approve the project on “Development of a suitable strategy for the long-term management of HCFCs, in particular HCFC-22, in China”, at the level of funding of US \$300,300 plus support costs for the Government of Germany of US \$39,039 on an exceptional basis on the condition that, as one of the outcomes, a study would look into the effects of management of HCFCs in China and in other Article 5 countries. The Executive Committee also noted that the Government of China intended to use relevant outcomes of the study as a basis for subsequent national action by the Government.

Methyl bromide projects for early phase-out by Article 5 Parties

80. The 42nd Meeting discussed accelerated phase-out of methyl bromide in Article 5 countries and criteria for the prolongation of accelerated phase-out agreements, as requested by decision Ex.I/2 of the Extraordinary Meeting of the Parties. Differing views were expressed as to whether general or specific criteria should be adopted. The Secretariat was therefore requested to prepare a document covering updated status of the implementation of approved projects for accelerated phase-out of methyl bromide and Executive Committee members were invited to submit their comments on the implementation of decision Ex.I/2.

81. The 43rd Meeting held an in-depth discussion on the document prepared by the Secretariat and decided to adopt the following criteria:

- (a) The Executive Committee will evaluate each individual project at the request of the Party implementing the project;
- (b) The project must be under implementation and demonstrate substantive progress in its implementation;
- (c) The Party implementing the project should submit its request for reconsideration, and all other relevant information to justify its case, to the Multilateral Fund Secretariat, which will communicate it to the Executive Committee Members eight weeks before the Meeting;

- (d) The information submitted by the Party should include, among other items it may consider relevant:
 - (i) Identification of unforeseen difficulties, as of the date of the signature of the commitment, that affect the development of the project;
 - (ii) Where the unforeseen difficulty is the lack of technical or economic feasibility of the alternatives, evidence of trials of alternatives to methyl bromide with negative results undertaken in the corresponding region of the country; and
 - (iii) Submission of an action plan or alternative schedule for the phase out of methyl bromide;
- (e) The renegotiation of the disbursements should make it a priority not to affect the continuity of the project, given the importance of not interrupting the technological transfer process due to the characteristics of agricultural production;
- (f) In its consideration of projects with difficulties, the Executive Committee shall take into account whether exemptions for critical uses have been granted in non Article 5 countries facing similar circumstances. In so doing, the Executive Committee may request the advice of the Technology and Economic Assessment Panel (TEAP) and the Methyl Bromide Technical Options Committee (MBTOC).

Programme support costs of bilateral cooperation projects

82. The 42nd Meeting considered the applicability of the current administrative cost regime to bilateral agencies and decided to discuss the matter further at its 43rd Meeting after receiving the views of bilateral agencies. The 43rd Meeting held a discussion on the report submitted by the Secretariat on the issue and requested that a paper be prepared for consideration at the 45th Meeting on a procedure for using support costs, not to exceed 13 per cent value of approved projects, in a more flexible manner.

Export and import licensing systems

83. The question of export and import licensing systems was taken up briefly at the 41st Meeting and the 43rd Meeting subsequently discussed the issue on the basis of a document which listed those countries that had not yet reported the establishment of a licensing system. After receiving further information from countries present, the Executive Committee noted the document.

Appointment of the Chief Officer

84. The 41st Meeting discussed whether or not to lift the embargo on the documents relating to the selection process for the appointment of the Chief Officer and decided that the documents prepared by the Chair of the Executive Committee should remain confidential, but could be disclosed on a need-to-know basis.

H. Fund Secretariat activities

85. During the period under review, the Fund Secretariat had prepared documentation and provided conference services for the 41st, 42nd and 43rd Meetings of the Executive Committee, one meeting each of the Sub-Committee on Project Review and the Sub-Committee on Monitoring, Evaluation and Finance, and meetings of the Subgroup on the Production Sector and the Open-ended Working Group on Refrigerant Management Plans.

86. The Fund Secretariat had received proposals for projects and activities from implementing agencies and bilateral partners for a total value of US \$540,558,958. It had analysed, reviewed and provided comments and recommendations, as appropriate, on all proposals submitted for the Executive Committee's consideration.

87. The Secretariat had prepared documents, inter alia, on issues relating to the service of the Treasurer, reconciliation of the 2002 accounts of the Multilateral Fund, financial planning, a new phase-out plan for the 2004-2006 triennium, administrative support costs, and the work of the Sub-Committees. It had also reviewed and updated its project database and had developed its web and intranet site.

88. The Chief Officer and other members of the Secretariat had attended many important meetings, including that of the GEF Council, and had visited a large number of countries.

89. The Chief Officer informed the 43rd Meeting that, following the retirement of Mr. Richard Abrokwa Ampadu, Mr. Stephan Sicars had been appointed Senior Project Management Officer.

I. Terms of reference of the Executive Committee

90. The 41st Meeting discussed the implementation of decision XV/48 of the Fifteenth Meeting of the Parties and agreed that the issue would have to be decided over a number of Executive Committee meetings. It also noted that the issue would not only have to be taken up by the Executive Committee, but also by the Meeting of the Parties; although it was the responsibility of the Executive Committee to select its own Chief Officer, it was the prerogative of the Meeting of the Parties to amend the terms of reference.

91. The 42nd Meeting again discussed the question of the terms of reference and requested the Chair, on behalf of the Executive Committee, to enter into consultations with the Secretary-General of the United Nations, the Executive Director of UNEP, the United Nations Office of Human Resources Management, and the United Nations Office of Legal Affairs, regarding the terms of reference of the Executive Committee and the legal and administrative implications related to this matter, and to report to the Committee at a future meeting.

92. The Chair reported to the 43rd Meeting that she had met with the Executive Director of UNEP who had indicated, inter alia, that the Multilateral Fund and the Executive Committee were subject to the general operating procedures of the United Nations regarding the

appointment of staff and that the final decision on appointments lay with the Secretary-General of the United Nations, who was free to seek other opinions, if he so wished. The Chair also advised that a letter had been sent to the Secretary-General of the United Nations, copied to the Chef de Cabinet, the Assistant Secretary-General for Human Resources Management, and the Under-Secretary-General for Legal Affairs and Legal Counsel. She indicated that she had then contacted the Assistant Secretary-General for Human Resources Management, who had assured her that a written reply would shortly be transmitted. Following the report, the Executive Committee noted, with appreciation, the efforts of the Chair and requested that consultations required by Executive Committee decision 43/48 continue.

J. Matters relating to the meeting of the Parties

93. In response to decision X/31 of the Tenth Meeting of the Parties requesting 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 it, the Executive Committee is annexing hereto its report to the Sixteenth Meeting of the Parties on actions taken to improve the financial mechanism for the implementation of the Montreal Protocol (Annex I).

94. 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."

95. Decision XIV/7 of the Fourteenth Meeting of the Parties requested the Executive Committee to continue to provide financial and technical assistance to Article 5 Parties to introduce, develop and apply inspection technologies and equipment in customs to combat illegal ODS traffic and to monitor ODS trade, and to report to the Sixteenth Meeting of the Parties to the Montreal Protocol on activities to date. The 43rd Meeting accordingly considered the documents prepared by the Secretariat and agreed that the amended and updated documents should be forwarded to the Sixteenth Meeting of the Parties. It also decided to undertake a new evaluation of projects on customs officer training and licensing systems for submission to the Seventeenth Meeting of the Parties.

L. Reports of the Executive Committee

96. The reports of the 41st, 42nd and 43rd Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/41/87, Corrs.1 and 2, UNEP/OzL.Pro/ExCom/42/54 and Corr.1 and UNEP/OzL.Pro/ExCom/43/61 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

PART I: ACTIONS WHICH HAVE NOT BEEN PREVIOUSLY COMPLETED

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 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.

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.

At the 38th Meeting, the Executive Committee considered a report on the technical workshop on concessional lending approved for the Government of Japan as a bilateral contribution and noted the significant progress achieved in discussing the issue of concessional lending both at the workshop and at the Executive Committee, and decided to continue its deliberations on the issue at its next meeting.

The Executive Committee resumed its consideration of financing ODS phase out under concessional lending terms at its 39th Meeting, and decided to defer further discussion to the 41st Meeting when historical documentation on concessional lending would be made available by the Secretariat.

Update since the Fifteenth Meeting of the Parties:

At its 41st Meeting, the Executive Committee considered an updated report on concessional lending and requested the Secretariat, the implementing agencies and bilateral agencies to continue to explore opportunities and possibilities for carrying out more pilot and demonstration projects in countries that wished to do so in order to illustrate how concessional lending or other innovative financial mechanisms could be used in accordance with Article 10 of the Montreal Protocol and thereby facilitate and/or advance national compliance with the Protocol, and to report from time to time to the Executive Committee and to the Meeting of the Parties.

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.

National CFC phase-out plans for 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.

Update since the Fifteenth Meeting of the Parties:

- *Most larger-volume-consuming countries have now entered into agreements with the Executive Committee for sectoral or national phase-out plans, the costs of which have been agreed in principle. The focus of the work of the Multilateral Fund is now on ensuring that implementation of agreements approved in principle proceeds as planned and that remaining low-volume-consuming countries continue to be provided with relevant assistance to enable them to comply with the control provisions of the Montreal Protocol. However, on the basis of current practice by the bilateral and implementing agencies, further examples of mobilization of non-Fund resources may still arise in future projects when the appropriate circumstance prevail. Since implementing and bilateral agencies continue to be aware of the benefits from mobilization of non-Fund resources, there is no longer a need for specific reporting measures concerning resource mobilization and this item can be considered as completed.*

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.

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 foam and process agent sectors.

Update since the Fifteenth Meeting of the Parties:

- *There have been no new developments.*

PART II: ACTIONS COMPLETED

The following actions were included in the Report for the Fourteenth 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, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17, 18, 19 and 20

Annex II

AMOUNTS OF HCFCs¹ CONSUMPTION PHASED-IN (ODP TONNES)

Country	CFC phased out in projects using HCFC technologies	HCFC phased in
Algeria	37.3	3.7
Argentina	743.1	73.6
Bahrain	15.3	1.5
Bolivia	11.0	1.1
Bosnia and Herzegovina	29.1	2.9
Brazil	4,847.3	477.7
Chile	179.5	14.6
China	10,082.9	776.0
Colombia	644.9	63.9
Costa Rica	33.1	3.3
Cuba	0.8	0.1
Dominican Republic	135.3	13.4
Egypt	484.4	37.4
El Salvador	18.3	1.8
Guatemala	45.4	4.5
India	4,507.7	434.0
Indonesia	1,782.5	170.5
Iran	1,045.5	103.6
Jordan	330.3	32.7
Kenya	22.8	2.3
Lebanon	81.0	8.0
Libya	61.5	6.1
Macedonia	75.1	7.4
Malaysia	1,226.5	118.5
Mauritius	4.2	0.4
Mexico	2,106.3	193.6
Morocco	118.0	11.7
Nicaragua	8.0	0.8
Nigeria	383.2	38.0
Pakistan	781.1	77.4
Panama	14.4	1.4
Paraguay	67.6	6.7
Peru	146.9	14.6
Philippines	518.9	51.4
Romania	192.0	19.0
Serbia and Montenegro	44.2	4.4
Sri Lanka	7.2	0.7

Country	CFC phased out in projects using HCFC technologies	HCFC phased in
Sudan	4.4	0.4
Syria	628.4	62.3
Thailand	2,044.0	201.5
Tunisia	234.9	20.3
Turkey	372.2	36.9
Uruguay	104.6	10.4
Venezuela	699.1	69.3
Vietnam	44.4	4.4
Yemen	9.7	1.0
Zimbabwe	11.3	1.1
Total	34,985.6	3,186.3

Note 1: ODP values as follows:

HCFC-123: 0.02
 HCFC-22: 0.055
 HCFC-141b: 0.11
