

Distr.  
GENERAL

UNEP/OzL.Pro.4/8  
13 July 1992

Original: ENGLISH

FOURTH MEETING OF THE PARTIES TO THE  
MONTREAL PROTOCOL ON SUBSTANCES  
THAT DEplete THE OZONE LAYER

Copenhagen, 23-25 November 1992

REPORT BY THE CHAIRMAN OF THE EXECUTIVE COMMITTEE OF THE  
INTERIM MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL

## I. INTRODUCTION

1. In accordance with the terms of reference of the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol, the Committee shall report annually to the Meeting of the Parties (Appendix II to Annex IV to the report of the Second Meeting of the Parties contained in document UNEP/OzL.Pro/2/3).
2. The Executive Committee held three meetings during the period under review. The Fifth, Sixth and Seventh Meetings were held in Montreal from 18 to 22 November 1991, 27 to 28 February 1992 and 23 to 26 June 1992 respectively. The reports of those Meetings are contained in documents UNEP/OzL.Pro/ExCom/5/16, UNEP/OzL.Pro/ExCom/6/12 and UNEP/OzL.Pro/ExCom/7/30 respectively.

## II. POLICY MATTERS

3. Following the Fifth Meeting, an agreement was signed between the United Nations Environment Programme as the Treasurer of the Interim Multilateral Fund and the Executive Committee (UNEP/OzL.Pro/ExCom/5/4/Rev.2).
4. At its Fifth Meeting, the Executive Committee adopted the guidelines prepared by the Fund Secretariat for the presentation of country programmes (UNEP/OzL.Pro/ExCom/5/16, Annex III). These guidelines were distributed to all countries operating under paragraph 1 of Article 5, paragraph 1, and to the implementing agencies. The implementing agencies apply these guidelines when assisting Parties operating under Article 5, paragraph 1 to prepare their country programmes.
5. The Executive Committee also adopted guidelines for bilateral and regional contributions (UNEP/OzL.Pro/ExCom/5/16, Annex IV).
6. At its Seventh Meeting, the Executive Committee adopted a number of policy decisions on the basis of documents prepared by the Secretariat. These decisions which are annexed to the report of the meeting (UNEP/OzL.Pro/ExCom/7/30) include:
  - (i) Guidelines for presentation of projects and criteria for project approval (UNEP/OzL.Pro/ExCom/7/30, Annex III).
  - (ii) Guidelines for cost assessment of bilateral and regional activities (UNEP/OzL.Pro/ExCom/7/30, Annex IV).
  - (iii) Whether or not support from the Fund could be given retroactively

(UNEP/OzL.Pro/ExCom/7/30, Annex V). The Executive Committee decided that "the resources of the Fund may be extended to cover agreed incremental costs of projects that had not received prior approval by the Executive Committee provided that: (a) they were incurred by a paragraph 1 of Article 5 country subsequent to the date on which it became a Party to the Montreal Protocol, (b) they meet the eligibility criteria".

(iv) Whether the Fund should finance activities related to enterprises that are wholly or partly owned by transnational corporations (UNEP/OzL.Pro/ExCom/7/30, Annex VI). The Executive Committee decided that "the Fund should not finance phase-out activities relating to enterprises that were wholly owned subsidiaries of transnational corporations or enterprises permitted to operate in "free zones" and whose output was for export only. Partial funding should be considered on a case-by-case basis to finance local share ownership of any given enterprise with the transnational corporation responsible for the rest. In such a case, funding could be provided as a percentage of project incremental costs proportionate to the local share ownership of the enterprise with the transnational corporation responsible for the rest. Subject to the approval of the Executive Committee, the same criteria should apply to bilateral assistance for activities involving subsidiaries of transnational corporations".

(v) Whether or not the Fund should finance activities related to enterprises that are wholly or partly owned by countries that are not Parties to the Montreal Protocol (UNEP/OzL.Pro/ExCom/7/30, Annex VII). The Executive Committee decided that "funding should not be made available to finance activities related to enterprises that were wholly owned by countries that were not Parties to the Montreal Protocol. With regard to enterprises that were partly owned by non-Parties, partial funding could be considered on a case-by-case basis to finance the local share ownership of any given enterprise owned by a non-Party. In such a case, funding could be provided as a percentage of project incremental costs proportionate to the local share ownership of the enterprise with the non-Party responsible for the rest. Subject to the approval of the Executive Committee, the same criteria should apply to bilateral assistance for activities involving non-Parties".

7. The Executive Committee at its Seventh Meeting also considered and took note of

documents prepared separately by the Secretariat and the World Bank on incremental costs and on institutional strengthening.

8. On incremental costs, the Executive Committee decided to consider the subject at a later stage. For the time being, it would follow the indicative list adopted at the Second Meeting of the Parties (UNEP/OzL.Pro/ExCom/2/3 Annex IV, Appendix I), but it would, in cases where the indicative list proved not to provide sufficient guidance, consult the two documents (UNEP/OzL.Pro/ExCom/7/21 and UNEP/OzL.Pro/ExCom/7/21/Corr.1; UNEP/OzL.Pro/ExCom/7/Inf.4).

9. With regard to institutional strengthening, the Executive Committee decided that limited funding or assistance should be provided by the Fund for such activity since it might be an essential element in achieving the objectives of the Montreal Protocol. It adopted the following recommendations (UNEP/OzL.Pro/ExCom/7/30, paragraph 74, subparagraphs 1-4) based on the document prepared by the Secretariat (UNEP/OzL.Pro/ExCom/7/20):

- (i) Article 5 countries who request it be considered for support for institutional strengthening and that such considerations be made on their individual merits (case-by-case basis). In considering the requests on a case-by-case basis, the peculiar circumstances influencing ODS phase-out in the country should be considered together with the recommended funding level;
- (ii) The main objective of such support should be to provide necessary resources to an eligible country to enable it strengthen a mechanism within the country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country, as well as ensuring effective liaison between the country on the one hand, and the Executive Committee, the Fund Secretariat, and the implementing agencies on the other;
- (iii) Requests for institutional strengthening be considered as special projects subject to approval by the Executive Committee on the basis of a written request submitted by the interested Party. However, in order to avoid any possible delays in providing support to requesting countries, the implementing agencies may review and implement such requests within their work programmes, except where the funding requested exceeds US \$500,000, and report to the Executive Committee through the Fund Secretariat as and when such requests are approved for implementation;
- (iv) Requests for institutional strengthening be included in the country programme of the Party requesting such assistance. However, the requests for institutional

support may be submitted separately as a free-standing project ahead of the country programme where circumstances demand.

It further recommended that institutional strengthening be dealt with on a case-by-case basis and with the necessary flexibility.

10. At its Seventh Meeting, the Executive Committee also discussed the need to expedite the process of disbursement of funds by the implementing agencies to Article 5, paragraph 1, Parties following its approval of investment projects over US \$500,000. It decided to establish a subcommittee to evaluate in greater detail the status of a representative sample of approved projects with a view to identifying barriers to speedy project implementation and to report back to the Eighth Meeting of the Committee with proposals for addressing these problems.

11. At the request of UNEP, the Executive Committee discussed its terms of reference and those of the Interim Multilateral Fund and recommended that no substantive changes should be made and that they should apply mutatis mutandis to the financial mechanism.

### III. IMPLEMENTING AGENCIES

12. The Executive Committee decided that, in order to ensure full coordination among the implementing agencies, their work programmes should be integrated into one consolidated document with the support of the Fund Secretariat, starting with the 1992 work programmes. The Executive Committee also decided that the implementing agencies should adopt a sector-based approach when developing their work programmes.

13. The work programmes of the implementing agencies, with the following budgets, were approved by the Executive Committee at its Sixth Meeting:

United Nations Development Programme	US \$3,554,395 <sup>1</sup>
United Nations Environment Programme	US \$1,921,000
World Bank	US \$2,275,000

14. The five regional development Banks and UNIDO have been invited to meetings of the Executive Committee. A representative of the Inter-American Development Bank

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<sup>1</sup> This sum includes an additional US \$300,000 approved at the Seventh Meeting to UNDP to complete China's Country Programme and to purchase halon recycling equipment for regional training.

attended the Fifth Meeting of the Executive Committee and a representative of the United Nations Industrial Development Organization attended the Seventh Meeting.

15. Friends of the Earth, a non-governmental organization, was represented at the Fifth, Sixth and Seventh Meetings.

#### IV. COUNTRY PROGRAMMES

16. During the period under review, the Executive Committee disbursed US \$1,681,614 to UNDP, UNEP and the World Bank for the preparation of country programmes in 25 countries and approved the country programmes of Chile, Ecuador, Malaysia and Mexico, which are contained in documents UNEP/OzL.Pro/ExCom/7/8, Add.1 and Corr.1, UNEP/OzL.Pro/ExCom/6/6/Rev.1, UNEP/OzL.Pro/ExCom/6/4 and UNEP/OzL.Pro/ExCom/6/5 respectively.

#### V. TECHNICAL ASSISTANCE AND TRAINING

17. During the period under review, the Executive Committee disbursed US \$4,494,395 to UNDP for demonstration projects, feasibility studies and training activities in 22 countries, as contained in the UNDP work programme and progress report (UNEP/OzL.Pro/ExCom/6/3 and UNEP/OzL.Pro/ExCom/7/5 respectively). The major efforts of these activities were directed toward preinvestment and training projects in the aerosol, refrigeration, foam, solvent and halon sectors.

18. The Executive Committee also approved US \$1,680,000 for UNEP activities. The major areas covered were information exchange through the computerized clearing-house system, the OzonAction newsletter, training manuals, technical brochures and other publications and training through regional workshops.

#### VI. PROJECTS

19. The Executive Committee approved the following project proposals representing a total amount of US \$27,221,000 for the phase out of approximately 25,000 tonnes of ozone-depleting substances (ODSs) distributed as follows:

<u>Country</u>	<u>Project Cost (US \$)</u>
Brazil:	2,930,000;

Chile:	1,206,000;
China:	9,990,000
Ecuador:	400,000
Egypt:	1,500,000
Jordan:	1,500,000
Malaysia:	1,630,000
Mexico:	4,000,000
Thailand:	1,000,000
Tunisia:	800,000
Turkey:	965,000
Venezuela:	1,300,000

## VII. INFORMATION

20. The Executive Committee decided that its decisions and reports should be transmitted to countries operating under paragraph 1 of Article 5 which were not members of the Committee, together with all other additional information, and decided that UNEP's Industry and Environment Programme Activity Centre in Paris constituted a suitable vehicle for this purpose. The Executive Committee also encouraged the aforementioned countries to prepare country programmes.

21. The Industry and Environment Programme Activity Centre would prepare a users' manual on access to the OzonAction Information Clearing-House (OAIC) for submission to the Fourth Meeting of the Parties. The Executive Committee was also informed that future training activities would include a programme on the use of the computerized OAIC system.

## VIII. FINANCIAL MATTERS

22. The status of contributions<sup>2</sup> on 30 June 1992 stood at US \$45,875,013.48. This was made up of contributions for 1991 of US \$39,144,928 (against a total pledge of US \$53,320,777) and US \$6,730,085.48 for 1992 (against a total pledge of US \$73,339,613). Disbursements amounted to US \$48,072,487.48. The Executive Committee noted with regret that many countries had not fulfilled their pledges and it urged them to do so without delay.

23. In the light of ratification of the Montreal Protocol by more countries, the Fourth Meeting of the Parties will be called upon to revise the amount of contributions accordingly.

24. At its Seventh Meeting, the Executive Committee discussed the magnitude of the Fund required for the period 1994 to 1996 and transmitted the relevant Secretariat document to the Open-Ended Working Group of the Parties. The Secretariat estimated that the requirements for the Fund for the next three-year period would amount to approximately US \$480 to \$620 million (UNEP/OzL.Pro/ExCom/7.30, Annex VIII).

25. In accordance with the guidelines for bilateral and regional contributions adopted at the Fifth Meeting, the Executive Committee approved the following requests to credit bilateral assistance against contributions to the Fund, amounting to a total of US \$537,772.48:

Australia	US \$39,394 (against 1992 contributions)
Germany	US \$18,378.48 (against 1992 contributions)
United States of America	US \$480,000 (against 1991 contributions)

26. Other countries not operating under Article 5, paragraph 1, expressed their intention to seek approval to credit bilateral and regional assistance against their contributions up to the approved ceiling of 20 per cent.

27. Pursuant to the decision taken at its Third Meeting, the Executive Committee approved at its Fifth Meeting a revised estimated budget of US \$2,752,390 for the Secretariat for 1992.

## IX. FUND SECRETARIAT

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<sup>2</sup> These amounts include bilateral assistance credited to the contributions of USA (1991) and Australia and Germany (1992) (see paragraph 25).

28. The Secretariat comprises eight professional staff, including the Chief Officer, and seven General Service staff.

During the period under review, the Secretariat carried out the following tasks inter alia:

- prepared all the policy papers considered by the Executive Committee;
- undertook all the preparations for meetings of the Executive Committee and subcommittees since March 1991;
- made presentations at and participated in three regional workshops organized by UNEP, with support from the Fund, in Egypt, Thailand and Venezuela;
- made a presentation at and participated in a major workshop organized by the Chinese National Environmental Protection Agency; and held discussions on the China Country Programme with Officials of the Government of China.
- participated in the sixth and seventh meetings of the Open-Ended Working Group of the Parties;
- evaluated country programmes and projects and prepared recommendations thereon for action by the Executive Committee;
- monitored implementation by implementing agencies and prepared comments on their work programmes and progress reports;
- monitored bilateral assistance to Article 5 countries;
  
- communicated the Executive Committee's decisions to Article 5 countries in which activities were being undertaken by one or more implementing agencies;
- maintained liaison between the implementing agencies, Article 5 countries and the Executive Committee;
- co-ordinated meetings with the implementing agencies.