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FOURTH MEETING OF THE OPEN-ENDED  
WORKING GROUP OF THE PARTIES

London, 20-26 June 1990

DRAFT DECISIONS ON THE FINANCIAL MECHANISM  
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

(PROPOSAL BY THE EXECUTIVE DIRECTOR)

The second meeting of the Parties to the Montreal Protocol on substances that deplete the ozone layer decides:

1. to establish for a 3-year period from 1 January 1991 to 31 December 1993 an interim financial mechanism, for the purposes of providing financial and technical co-operation, including the transfer of technology to Parties operating under article 5 of the Protocol. The Financial Mechanism shall cover all agreed incremental costs of countries operating under article 5. Contributions under the Financial Mechanism shall be additional to other financial flows to such countries. The mechanism shall include a multilateral fund. It shall also include other multilateral funding and bilateral co-operation. Bilateral co-operation can, up to [ ] percent and according to criteria to be adopted by the Parties, count as a part of agreed contributions to the Multilateral Fund;
2. to establish a Multilateral Fund, adopt its terms of reference as contained in appendix I and approve a total budget for it of US \$ \_\_\_\_\_; the formula for contributions is contained in appendix II, the contributions shall be additional;
3. to establish an Executive Committee for the Multilateral Fund with the structure and terms of reference contained in appendix III;

4. to adopt, as it appears in appendix IV\*, the list of incremental costs incurred by the developing countries operating under article 5 of the Protocol to be covered by the Multilateral Fund, on grant or concessional basis, as appropriate and according to criteria to be set out by the Parties;
5. to establish a clearing-house function under the Multilateral Fund to
  - a) assist countries operating under article 5 to determine their needs for co-operation,
  - b) facilitate and monitor bilateral, regional and other multilateral co-operation available to developing countries operating under article 5, and
  - c) facilitate technical studies, the distribution of information and other relevant materials, the holding of workshops and training sessions, and other relevant activities;
6. to encourage countries not Parties to the Protocol and developing country Parties to the Protocol to make voluntary contributions to the Fund.

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\*Appendix IV is not attached to these draft decisions, since it appears as Annex II to the Report of the Second Session of the Third Meeting of the Open-ended Working Group of the Parties to the Montreal Protocol, 9 - 11 May 1990 (UNEP.Oz1.Pro.WG.III(2)/3).

APPENDIX I

DRAFT TERMS OF REFERENCE OF THE INTERIM MULTILATERAL FUND  
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

ESTABLISHMENT

1. An Interim Multilateral Fund to administer funds contributed by Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer for its implementation, hereinafter referred to as The Fund, shall be established for the purposes set out in these terms of reference.
2. Pursuant to the Financial Regulations and Rules of the United Nations, [the Executive Director of the United Nations Environment Programme (UNEP), with the approval of the Governing Council of UNEP] and the Secretary-General of the United Nations, shall establish the Fund for the administration of funds contributed for the purposes set out in these terms of reference.
3. The Fund shall be established for the three years beginning 1 January 1991 and ending 31 December 1993.

BUDGET AND CONTRIBUTIONS

4. The appropriations of the Fund for this period shall be financed from
  - (a) Contributions made by Parties not operating under Article 5 of the Protocol, including contributions from these countries not operating under Article 5 who may become Parties after this Fund is established.

- (b) Voluntary contributions from Parties operating under Article 5, and
- (c) Voluntary contributions by countries not Party to the Protocol, other governmental, intergovernmental and non-governmental organizations and other sources.

5. The contributions referred to in Paragraph 4 (a) above, are to be based on the scale of contributions annexed hereto. The value of bilateral co-operation between a developed country Party and a developing country Party can, according to criteria to be established by the [Parties] [Executive Committee], be considered as a contribution to the Fund up to a total of [...] per cent of the total contribution by that Party set out in the annex hereto.

6. All contributions are due to be paid in the year immediately preceding the year to which the contributions relate.

7. All contributions other than the value of bilateral co-operation referred to in paragraph 5 above shall be paid in convertible currency or, exceptionally, made in kind. Payments shall be made into the following account: Account No. 015-002756, UNEP General Trusts Funds Account, Chemical Bank, United Nations Branch, New York, N.Y. 10017, United States.

8. Contributions from States that become Parties after the beginning of the financial period shall be calculated on a pro rata basis for the balance of the financial period.

9. Contributions not immediately required for the purposes of the Fund shall be invested at the discretion of the United Nations and any interest so earned shall be credited to the Fund.

10. Budget estimates setting out the income and expenditure of the Fund prepared in United States dollars, shall be drawn up by the Executive Committee and submitted to the ordinary meetings of the Parties to the Protocol on an annual basis for a three year period.

11. The proposed budget shall be dispatched by the Secretariat to all Parties to the Protocol at least ninety days before the date fixed for the opening of the ordinary meeting of the Parties to the Protocol.

12. The Parties shall make every effort to reach agreement on the budget by consensus. If all efforts at consensus have been exhausted and no agreement reached, the budget shall, as a last resort, be adopted by two-thirds majority vote of the Parties present and voting.

#### PURPOSE

13. The Purposes of the Funds shall be:

- to facilitate the implementation of the Montreal Protocol;
- to finance incremental costs as agreed by the Parties of transition to technologies that are not harmful to the ozone layer;
- to collect and disseminate, data, to facilitate research and to finance country studies;
- to assist countries operating under Article 5 to determine their needs for co-operation;
- to facilitate and monitor bilateral, regional and other multilateral co-operation available to developing countries operating under Article 5;
- to facilitate technical studies, the distribution of information and other relevant materials, the holding of workshops and training sessions, and other related activities, and
- to finance costs for control and reduction of emissions of substances that deplete the ozone layer.

ADMINISTRATION

14. The Fund shall be administered by the [Executive Director of the United Nations Environment Programme] under the general guidance of the Executive Committee on behalf of the Parties to the Protocol as set out in paragraph 20.
15. In the event that the [Executive Director of UNEP] anticipates that there might be a shortfall in resources over the financial period as a whole, he shall have discretion to adjust the budget approved by the Parties so that expenditures are at all times fully covered by contributions received.
16. Commitments against the resources of the Trust Fund may be made only if they are covered by the necessary income. No commitments shall be made in advance of the receipt of contributions but income not spent in a budget year and unimplemented activities may be carried forward from one year to the next within the three year period.
17. The [Executive Director] shall deduct from the income of the Fund an administrative support charge equal to 13 per cent of other expenditures recorded during any calendar year in order to meet the cost of administrative activities related to the trust fund such as providing services relating to personnel, accounting, engagement of various expertise and services, etc.
18. At the end of the each calendar year, the [Executive Director] shall submit to the Parties the accounts of the Fund for the year. He shall also as soon as practical submit the audited accounts for each period of two years co-inciding with the biennial accounts of the Fund of UNEP.
19. In the event that the Parties wish the Fund to be extended beyond 31 December 1993, the [Executive Director] shall be so requested by the Parties at least six months earlier. Such extensions of the Fund shall be subject to the approval of the Governing Council of UNEP and the United Nations Secretary General.

#### THE EXECUTIVE COMMITTEE

20. An Executive Committee shall be established by the Parties on the basis of a balanced representation of Parties operating under Article 5 and those not operating under Article 5, and shall guide the Executive Director in the administration of the Fund.

21. The Executive Committee shall develop together with the participating agencies and the Secretariat a three-year rolling Plan and budget for submission to the Meeting of the Parties for approval as set out in paragraph 12, issue periodic guidelines for the implementation of the Plan and evaluate the annual performance reports relative to the Plan.

22. The three-year rolling Plan submitted by the Executive Committee after consultation with the participating agencies and the Secretariat shall set out the activities and other costs to be financed on an annual basis over the three-year period together with the estimates of the required expenditures in United States Dollars. Each activity or other expenditure item shall be attributed to one of the agencies or the Secretariat as being responsible for its technical and financial management.

#### INTER-AGENCY ARRANGEMENTS

23. The contributions paid into the Fund as well as other income shall be distributed among the participating agencies and the Secretariat in advance as required according to the approved implementation of the Plan. The agencies will manage, invest and account for the funds received as judiciaries of the Parties, according to their own regulations, standards and practices.

24. Requests for financing for projects or other costs can be addressed to the agency responsible under the approved three-year Plan and budget or to the Secretariat by any developing country Party to the Protocol and operating under Article 5 of the Protocol.

25. Requests for financing incremental costs relating to transition to technology protective of the ozone layer should be based on a national industrial strategy (Country programme) and present the most cost-effective and efficient option taking account of savings or benefits to be gained at both the general strategic and the project levels.

26. The Secretariat and the participating agencies shall co-operate with developing and developed countries which are Parties to the Protocol to provide information on funding available for relevant projects, to secure the necessary contacts and to co-ordinate, where appropriate, projects financed from other sources with activities financed under the Protocol (clearing-house function).

27. The financing of activities or other costs shall be based on agreements with the Governments concerned and, as the case may be, shall be channeled with the concurrence of the Governments to third-party beneficiaries. The latter shall be associated with the planning of projects and programmes where appropriate. The financing of ventures by private companies shall take into account ownership of such companies held in developed countries.

#### SUPPORT COSTS

28. Staff and other costs needed for secretarial services of the Fund shall be covered by the contributions of the Parties. The Executive Committee shall submit a three-year budget for this purpose, annexed to the three-year rolling Plan.

29. The participating agencies shall be entitled to support costs for their preparation and implementation of projects as agreed to between the Secretariat and the agencies and approved by the parties.



Appendix II

Assessment of Contributions towards the Multilateral  
Fund based on the UN Scale of Assessment and  
on 1986 estimated consumption of the controlled substances

1. The Table below shows the assessed percentages of contribution towards the multilateral fund, to be made by each Party that is a developed country. It is assumed that the developing countries are exempted from making assessed contributions. The developing countries are listed below the table.

2. The developing countries listed include Article 5 countries as well as developing countries that are not Article 5 countries.

3. Columns in the table show the percentages of contributions to be made as follows:

- |          |   |
|----------|---|
| Column 1 | UN Scale of Assessment as adopted on 16 December 1988   |
| Column 2 | percentages of contribution based on the UN scale of assessment.  |
| Column 3 | percentages of contribution based on the 1986 estimated consumption of controlled substances; the figures for this column can be provided by the Secretariat if requested at the second meeting of the Parties. |

Appendix II

TABLE: Assessed percentages of contributions by the Parties that are the developed countries based on the UN scale of assessment and 1986 estimated consumption of the controlled substances

| <u>Party</u><br><u>(developed countries)</u> | <u>UN</u><br><u>Scale</u><br><u>%</u> | <u>Assessed %</u><br><u>based on</u><br><u>UN Scale</u> | <u>Assessed % based</u><br><u>on 1986 estimated</u><br><u>consumption</u> |
|--|---------------------------------------|---|---|
| Australia                                    | 1.57                                  | 1.80  |   |
| Austria                                      | 0.74                                  | 0.84  |   |
| Canada                                       | 3.09                                  | 3.54  |   |
| Finland                                      | 0.51                                  | 0.58  |   |
| German Democratic Republic                   | 1.28                                  | 1.47  |   |
| Hungary                                      | 0.21                                  | 0.24  |   |
| Iceland                                      | 0.03                                  | 0.03  |   |
| Japan  | 11.38                                 | 13.02   |   |
| New Zealand                                  | 0.24                                  | 0.27  |   |
| Norway                                       | 0.55                                  | 0.63  |   |
| South Africa                                 | 0.45                                  | 0.52  |   |
| Sweden                                       | 1.21                                  | 1.38  |   |
| Switzerland                                  | 1.08                                  | 1.24  |   |
| Liechtenstein                                | 0.01                                  | 0.01  |   |
| USSR   | 9.99                                  | 11.43   |   |
| Byelorussian SSR                             | 0.33                                  | 0.38  |   |
| Ukranian SSR                                 | 1.25                                  | 1.43  |   |
| USA  | 25.00                                 | 25.00   |   |
| EEC  | -                                     | 2.50  |   |
| EEC (total for member states)                | 29.43                                 | 33.69   |   |
| Belgium                                      | 1.17                                  | 1.34  |   |
| Denmark                                      | 0.69                                  | 0.79  |   |
| France                                       | 6.25                                  | 7.15  |   |
| Germany, Fed.Rep.of                          | 8.05                                  | 9.25  |   |
| Greece                                       | 0.40                                  | 0.45  |   |
| Ireland                                      | 0.18                                  | 0.20  |   |
| Italy  | 3.99                                  | 4.56  |   |
| Luxembourg                                   | 0.06                                  | 0.07  |   |
| Netherlands                                  | 1.65                                  | 1.89  |   |
| Portugal                                     | 0.18                                  | 0.20  |   |
| Spain  | 1.95                                  | 2.23  |   |
| United Kingdom                               | 4.86                                  | 5.56  |   |
| TOTAL  | 88.35                                 | 100.00  |   |

Developing Countries

|              |           |                      |
|--------------|-----------|----------------------|
| Brazil       | Kenya     | Syrian Arab Republic |
| Burkina Faso | Malaysia  | Thailand             |
| Cameroon     | Maldives  | Trinidad and Tobago  |
| Chile        | Malta     | Tunisia              |
| Egypt        | Mexico    | Uganda               |
| Fiji         | Nigeria   | United Arab Emirates |
| Ghana        | Panama    | Venezuela            |
| Guatemala    | Singapore | Zambia               |
| Jordan       | Sri Lanka |                      |

## Appendix III

## DRAFT TERMS OF REFERENCE FOR THE EXECUTIVE COMMITTEE

1. The Executive Committee of the Multilateral Fund is established to develop and implement specific operational policies and administrative arrangements to achieve objectives of the Fund under the Financial Mechanism for the Implementation of the Montreal Protocol. The Executive Committee is established for the period of the budget of the Fund as adopted by the Parties.
2. The Executive Committee shall consist of 7 experts from the group of Parties operating under article 5, paragraph 1 of the Montreal Protocol and 7 experts from the group of Parties not so operating.
3. The meeting of the Parties shall elect the Chairman of the Executive Committee. The office of the Chairman is subject to rotation between the Parties operating under article 5, paragraph 1 and the Parties not so operating.
4. If the Chairman resigns or is otherwise unable to complete his term of office or to perform his functions a new chairman shall be appointed by the group of Parties from which the chairman was elected.
5. The Chairman can only remain in office for one year. The meeting of the Parties shall elect the consecutive Chairmen on an annual basis from among the members of the Executive Committee and according to the principle of rotation mentioned in para. 3 above.
6. No group of Parties can have more than 3 of its 7 experts continuing in the Executive Committee for a consecutive term.
7. A Party can not remain in the Executive Committee for more than two consecutive terms.
8. Should a Party member of the Executive Committee change its status from one group to the other, it shall cease to be a member of the Executive Committee by the end of year in which its status changed. The group to which that Party belonged shall appoint a replacement for the remainder of the term.
9. Each group shall ensure that the expertise required to perform the tasks of the Executive Committee is appropriately possessed by the members of the Committee.
10. The Committee shall supervise and guide the administration of the Fund. It shall issue periodic guidelines for the implementation of the activities supported by the Fund and evaluate the annual performance reports relative to such plan of implementation. It shall monitor and evaluate the expenditures made under the Fund and report to the Meeting of the Parties.  
It shall develop and submit to the meetings of the Parties proposed budgets for the Fund.
11. The meetings of the Committee shall be conducted in English, French and Spanish.

12. The cost of the meetings, including travel and subsistence of the Committee members from developing countries shall be provided from the budget of the Fund.