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

Vienna, 5-7 December 1995

**REPORT OF THE EXECUTIVE COMMITTEE
TO THE SEVENTH 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, require the Executive Committee to report annually to the Meeting of the Parties (Annex X to the report of the Fourth Meeting of the Parties contained in document UNEP/OzL.Pro.4/15). The present report, which covers the activities undertaken by the Executive Committee since the Sixth Meeting of the Parties, is submitted in fulfilment of that requirement.
2. During the reporting period, the Fifteenth, Sixteenth and Seventeenth Meetings of the Executive Committee were held in Montreal, from 13 to 16 December 1994, from 15 to 17 March 1995, and from 26 to 28 July 1995, respectively, and the Eighteenth Meeting was held in Vienna from 22 to 24 November 1995.
3. Meetings of the Executive Committee were attended by Australia, Austria, Denmark, Japan, Poland, 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, and by Algeria, Argentina, Cameroon, China, Colombia, the Islamic Republic of Iran, and Thailand, representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. John Whitelaw (Australia) and Mr. Mohammed El-Hadi Bennadji (Algeria) acted as Vice-Chairman. Mr. Omar E. El-Arini, Chief Officer, acted as Secretary.
4. In accordance with the decisions taken by the Executive Committee, the following participants attended the meetings as observers:

Representatives of the Implementing Agencies: United Nations Development Programme, United Nations Environment Programme, United Nations Industrial Development Organization, and the World Bank;

A representative of the President of the Bureau of the Sixth Meeting of the Parties to the Montreal Protocol;

The President of the Implementation Committee for the Non-Compliance Procedure under the Montreal Protocol;

Representatives of the Ozone Secretariat and the secretariat of the Global Environment Facility;

Representatives of the Alliance for Responsible Atmospheric Policy, the Commonwealth Science Council, the Environmental Defense Fund, the Commission of the European Communities, Friends of the Earth, Greenpeace, Harvard University, the International Cooperative for Ozone Layer Protection, the Société du Centre de Conférences internationales de Montréal, the State University of New York at Albany and the Université du Québec à Montréal.

5. The priority for the Executive Committee during the reporting period was bringing greater certainty, stability and transparency to the operations of the Multilateral Fund. Many of the measures introduced were consistent with the recommendations of the Study on the Financial Mechanism under decision IV/18 of the Fourth Meeting of the Parties. The Executive Committee addressed procedural matters, financial matters, including the issue of funds availability, resource management, the framework within which projects are prepared and submitted for approval by the Committee, and key policy issues. These actions are further elaborated under the appropriate headings in this report.

A. Procedural matters

Project review

6. The Executive Committee continued to use its Sub-Committee on Project Review for preliminary screening of projects and work programmes. Formal terms of reference for the Sub-Committee were approved at the Fifteenth Meeting (UNEP/OzL.Pro/ExCom/15/45, para. 173). The Sub-Committee was composed of the representatives of Algeria, Argentina, Australia, the Islamic Republic of Iran, the United Kingdom and the United States of America.

Streamlining Executive Committee review of projects

7. At its Seventeenth Meeting, the Executive Committee adopted, on a trial basis, a streamlined procedure for the review of projects. A major benefit of the amended procedure was a reduction in the volume of documentation shipped to members for each meeting and an increased opportunity for the Committee to focus on major issues. Following this trial, at its Eighteenth Meeting the Committee agreed that the summary of projects sent to members should contain a synopsis of agreed projects and should be dispatched before the two week

deadline if possible. For projects considered individually, a description of the outstanding issues related to implementation of existing policies and guidelines would also be sent. For projects that raised policy issues, where there were no guidelines or inadequate guidelines, members would receive a summary presenting joint solutions whenever possible or adequate representation of the issues for consideration by the Sub-Committee on Project Review. Justification for proposed amendments to projects would be explained and disseminated so that all Implementing Agencies were aware of the criteria being applied to evaluate projects. To the extent possible, documentation would be disseminated in the form of diskettes.

8. During the period under review, the Sub-Committee on Project Review continued to study policy issues identified by the Fund Secretariat in connection with project proposals.

Sub-Committee on Financial Matters

9. The Sub-Committee on Financial Matters, composed of the representatives of Australia, Austria, Colombia and Thailand, also continued to meet in conjunction with the meetings of the Executive Committee to consider, *inter alia*, the level of funding available and the financial reports of the Implementing Agencies.

10. In examining ways of increasing the availability of funds for new projects, the Executive Committee endorsed a recommendation of a joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review that the Executive Committee develop a process whereby an approved project that remained unimplemented for a certain period would be reviewed with a view to amendment or cancellation.

Ad Hoc Working Group on Project Preparation and Evaluation

11. At its Fifteenth Meeting the Executive Committee established an Ad Hoc Working Group on Project Preparation and Evaluation under the chairmanship of the Chairman of the Executive Committee to look at ways of improving the project cycle and making the work of the Committee more transparent. The Group consisted of the Vice-Chairman of the Executive Committee and representatives of UNDP, UNEP, UNIDO, the World Bank and the Fund Secretariat.

12. The Executive Committee endorsed a number of actions agreed upon by the Ad Hoc Working Group on: improving clarity of Executive Committee decisions; development of an agreed set of cost ranges; smoothing the pattern of work throughout the year; format for reporting on completed projects; consultation and coordination between the Secretariat and the Implementing Agencies; and dormant projects (UNEP/OzL.Pro/ExCom/16/20, Annex II).

Expert Group on the Production of Substitutes for Ozone-depleting Substances

13. The Executive Committee approved at its Fifteenth Meeting the terms of reference of the Expert Group on the Production of Substitutes for Ozone-depleting Substances. The Expert Group met in Montreal on 13-14 September 1995 and produced a set of recommendations, and elaborated a number of issues. At its Eighteenth Meeting, the Executive Committee considered these issues and recommendations and gave additional instructions to the Expert Group, which would report back to its Nineteenth Meeting. The

Executive Committee further decided that the Expert Group should include four members from the new Executive Committee, two from Article 5 and two from non-Article 5 countries.

B. Financial matters

Status of contributions and disbursements

14. As at 22 November 1995, the total income to the Multilateral Fund, including interest and miscellaneous income, amounted to US \$445,439,862. The disbursements against this income totalled US \$444,424,040. The balance available amounted to US \$1,015,822.

15. The cumulative payments amounted to US \$425,401,348, including US \$12,984,368 in the form of bilateral assistance. The yearly distribution of these payments against pledges are as follows:

<u>Year</u>	<u>Pledges</u>	<u>Total payments</u> (<u>\$</u>)
1991	53,308,224	46,046,338
1992	73,322,709	63,292,596
1993	112,897,375	100,042,946
1994	148,805,380	125,513,735
1995	148,579,141	90,505,733
TOTAL	536,912,829	425,401,348

Contributions in arrears

16. As at 22 November 1995, arrears for 1991-1994 stood at US \$53,438,073, of which 76.45 per cent is attributed to eight countries with economies in transition; 21.77 per cent is attributed to developed countries; and the remaining 1.78 per cent is attributed to developing countries not operating under paragraph 1 of Article 5. Outstanding contributions for 1995 amounted to US \$58,659,508.

Bilateral contributions

17. In accordance with the Guidelines for Bilateral and Regional Contributions and the criteria set out by the Parties, the Executive Committee approved during the period under review requests to credit bilateral assistance amounting to a total of US \$5,739,286 against contributions of Australia, Canada, Denmark, France, Germany and the United States of America to the Fund for the years 1994 and 1995. This brings the total for bilateral cooperation to US \$12,984,368, which represents 3 per cent of total contributions to the Fund.

18. Activities under bilateral programmes approved during the reporting period include implementation of investment/demonstration projects, training workshops, technology transfer workshops, institutional strengthening, country programme preparation and project

preparation. Of the 76 bilateral projects and activities approved so far, approximately 50 per cent have been completed.

Agency support costs

19. At its Eighteenth Meeting, the Executive Committee approved 13 per cent support costs for the World Bank, as is the case for UNDP, UNEP and UNIDO.

Fund Secretariat budget

20. At its Eighteenth Meeting, the Executive Committee approved the revised 1996 budget for the Fund Secretariat and the proposed budgets for 1997 and 1998 on the understanding that the necessary resources would need to be approved at the last meeting of the Executive Committee in 1996.

Fund availability

21. During the reporting period, the cost of projects submitted to the Executive Committee exceeded the value of pledges by Parties for the year 1995. In this context, the Executive Committee recommended that the Seventh Meeting of the Parties should give consideration to the following:

(a) That, as a consequence of active and welcome action within Article 5 countries, there has been a substantial increase in project development and presentation and, therefore, in funding requests;

(b) In this regard, the level of contributions agreed for the 1994-1996 period, is not expected to enable approval in 1995 of a significant proportion of projects that had already been identified by Implementing Agencies and Article 5 countries; and

(c) The current difference between available funds and anticipated project requests could mean that the phase-out efforts of Article 5 countries would be slower than otherwise possible and could also be expected to create a number of other difficulties in smooth implementation of Article 5 ODS phase-out programmes.

C. Resource management

Framework for project approval

22. To assist in managing the Fund resources, the Executive Committee developed a methodology and framework for project approval that addressed issues of cost-effectiveness, balance of funds among categories of projects, the situation where the cost of projects submitted at any meeting exceeds the funds available and the distribution of resources among the Implementing Agencies. The cost-effectiveness thresholds applied by the Committee for each sector or subsector to all projects submitted to the Seventeenth and subsequent meetings were consistent with the guidelines approved at its Third Meeting. Implementing Agencies were requested to present projects whose cost-effectiveness fell below those thresholds.

Resource allocation

23. Pursuant to the decision adopted at its Sixteenth Meeting, the Executive Committee agreed to the following categories for resource allocation:

- (a) A discretionary fund, which could be utilized for projects, sectors or countries to which the Executive Committee might wish to give special consideration or to target;
- (b) Recovery and recycling projects (including halon banking);
- (c) Projects in the mobile air-conditioner and compressor sub-sectors, where the cost-effectiveness thresholds are difficult to determine;
- (d) Implementing Agencies' work programmes and support projects;
- (e) Low-ODS-consuming countries, in addition to any funds received by those countries as a result of approval of projects that qualified under the cost-effectiveness thresholds;
- (f) Investment projects.

24. The Executive Committee addressed the situation where, at any meeting, the cost of projects submitted for approval exceeds the funds available at that time. The Committee decided that projects recommended for blanket approval at the Seventeenth Meeting would be funded ahead of new projects submitted for funding at the Eighteenth Meeting. Similarly, eligible projects not funded at the Eighteenth Meeting would be carried over to the Nineteenth Meeting and be funded ahead of any new projects received.

25. At its Seventeenth Meeting, the Executive Committee also decided that the allocation of funds for investment projects among the Implementing Agencies should be as follows: World Bank 45 per cent, UNDP 30 per cent, and UNIDO 25 per cent. Those shares were to be effective in 1996. The Executive Committee requested UNDP and UNIDO to coordinate their project preparation activities in low-ODS-consuming countries, so that only one agency would be responsible for each such country.

Business plans/programmes of the Implementing Agencies for 1996

26. In order to move from planning on a meeting-by-meeting basis to a yearly basis, at its Seventeenth Meeting the Executive Committee requested the Sub-Committee on Project Review to discuss the development of business plans for 1996 with the Implementing Agencies.

27. At its Eighteenth Meeting, the Committee discussed the business plans of the Implementing Agencies and decided that the model used for the preparation should serve as guidance when preparing future plans. At its Eighteenth Meeting, the Executive Committee decided that the business plans of the Implementing Agencies should be reviewed early in 1996 with a view to ensuring that the Implementing Agencies, when preparing their 1997 business plans, reflected the agreed distribution of resources among sectors.

28. The business plans were consolidated into a business plan for the Fund, which provided a clear overview of the areas of priority, set out performance indicators for implementation and constituted a useful management tool for the future.

D. Operational matters

ODS phase-out

29. To date, 7,500 ODP tonnes of ODS have been phased out. The phase-out has occurred in all sectors with a substantial number of completed projects in the foam sector.

Country programmes

30. During the period under review the Executive Committee disbursed US \$1,339,000 for the preparation, completion and updating of 36 country programmes.

31. During the same period, the Committee approved 17 additional country programmes. This brings the total approved by the Executive Committee to 59 country programmes covering estimated consumption/production of 142,200 ODP tonnes of controlled substances.

32. In accordance with its decision taken at the Tenth Meeting, the Executive Committee requested Governments whose country programmes were approved to provide it annually with information on progress being made in the implementation of their country programmes. In addition, the Governments were requested to report their data to the Ozone Secretariat as required by Article 7 of the Protocol following completion of their country programmes.

33. At the Eighteenth Meeting of the Executive Committee, the Secretariat presented a report on the progress in the implementation of country programmes approved between February 1992 and June 1994 (UNEP/OzL.Pro/ExCom/18/Inf.6). Recognizing that the document raised a number of important issues deserving serious consideration, the Executive Committee requested the Secretariat to update the report and to include the question of progress in the implementation of country programmes on the agenda of the Nineteenth Meeting.

Investment projects

34. During the period under review, the Executive Committee approved US \$201,745,969 (including agency support costs) in funding for 289 investment projects. The implementation of these projects will eliminate an estimated quantity of 22,700 ODP tonnes of ozone-depleting substances. A breakdown by sector is as follows:

Sectors	ODS phased out (tonnes ODP)	Total allocation (US \$)
Aerosol	2,307	6,235,645
Foam	9,098	42,836,330
Halon	2,063	1,889,737
Refrigeration	8,965	147,103,714
Solvent	266	3,680,543
TOTAL	22,699	201,745,969

Institutional strengthening

35. During the period under review, US \$2,107,842 was approved for institutional strengthening in 23 Article 5 countries, bringing the total approvals by the Committee to US \$11.1 million for institutional-strengthening projects in 59 Article 5 countries.

36. At its Seventeenth Meeting, the Executive Committee recommended extension of institutional-strengthening activities that had been completed for an interim period of six months pro rata on the basis of the first three-year allocation on the understanding that the guidelines for second-round institutional strengthening should be developed by the Secretariat, and an evaluation and monitoring exercise would be carried out by the Implementing Agencies during that period. If necessary, these extensions could be renewed for a further six months pending completion of a full evaluation.

Technical assistance

37. Technical assistance has been provided by the Fund in several areas including country programme preparation, project preparation, workshops, training programmes, and for the development of sectoral phase-out strategies. Project preparation has occurred in 51 Article 5 countries.

38. To date, the Executive Committee has approved 189 training programmes at the national, regional and global levels, costing over US \$9.85 million. So far, 22 national training programmes in twelve Article 5 countries, 15 regional workshops and 10 global training activities have been completed.

39. Of a total of 169 technical assistance programmes approved, 29 have been implemented in 15 Article 5 countries, four at the regional level and 34 at the global level. Eight out of 18 demonstration programmes have been completed in the refrigeration and halon sectors.

40. In order to coordinate activities within a country, and in some cases on a global and regional basis, the Fund has supported the development of sector strategies. Sector strategies are intended to describe how various project proposals are interrelated and how the phase-out of one activity is not replaced by increased consumption or production of ozone-depleting substances in another area within the same country, within the limits prescribed by the Montreal Protocol.

41. At its Seventeenth Meeting, the Executive Committee approved US \$350,000 for further development of the sectoral phase-out strategies in China.

Work programmes of the Implementing Agencies

42. During the period under review, the Executive Committee approved the following allocations to the Implementing Agencies (including Agencies' support costs where applicable) for activities contained in their 1995 work programmes:

· UNDP	US \$4,063,853
· UNEP	US \$5,170,976
· UNIDO	US \$2,433,803
· World Bank	US \$5,560,894

Regional distribution of projects

43. By region, 235 activities were approved in Asia and the Pacific, followed by Latin America and the Caribbean (151 activities), Africa (80 activities), and Europe (19 activities). Additionally, 19 global activities were approved.

Disbursement from the Implementing Agencies

44. The table below gives the amounts allocated to, and disbursed by, each of the Implementing Agencies for approved activities.

Status of disbursement

Agency	Funds Allocated	Funds Disbursed
UNDP	124,459,552	34,498,900
UNEP	18,037,500	10,706,734
UNIDO	79,489,586	8,486,918
WORLD BANK	199,870,724	43,301,805
TOTALS	421,857,362	96,994,357

45. At its Seventeenth Meeting, the Executive Committee requested the Implementing Agencies to indicate disbursements against Executive Committee approvals and to indicate savings or deficits for all completed work programmes and investment project approvals, according to a uniform format for reporting progress and financial information.

E. Policy matters

46. During the period under review, the Executive Committee decided on the following issues.

Conversion of enterprises in Article 5 countries which export to non-Article 5 countries

47. The Executive Committee endorsed the following guidelines relating to the conversion efforts of enterprises in Article 5 countries which exported to non-Article 5 countries:

"In projects which benefit enterprises that export part of their production to non-Article 5 countries, the following rules shall apply:

"Where exports to non-Article 5 countries correspond to or are less than 10 per cent of total production, the total incremental costs shall be covered.;

"Where exports to non-Article 5 countries exceed 10 per cent of production but do not exceed 70 per cent, there shall be a reduction equivalent to the percentage of total production represented by such exports less 10 per cent;

"Where exports to non-Article 5 countries exceed 70 per cent of production, the project shall not be eligible;

"The average over the three years prior to submission of the project shall be used to determine production and exports to non-Article 5 countries;

"Projects where the exports to non-Article 5 countries are in the form of agricultural or fisheries products shall be eligible for total incremental costs."

Incremental operating costs and savings in the halon portable fire extinguisher subsector

48. The Executive Committee agreed to give priority to the preparation of projects in the portable fire extinguisher subsector over the next few years. To that end, it adopted, at its Sixteenth Meeting, special arrangements under which, *inter alia*, the Implementing Agencies should, over the next three years, develop and submit projects to phase out the entire halon fire extinguisher subsector in Article 5 countries. During this time-frame, the Executive Committee would as an incentive consider projects in this subsector taking into consideration six months of operating cost/savings. Following this time-frame, the calculation of incremental cost/savings would be expected to revert to the four-year level that had been the tradition for this subsector. The Executive Committee decided at its Eighteenth Meeting that the guidelines for the subsector should be further examined by the Fund Secretariat and the Implementing Agencies. It also decided that flexibility should be shown in the case of large

enterprises, but that the burden of proving the need for conversion to a range of technologies should be placed on the enterprise.

Guidelines on monitoring and evaluation

49. At its Eighteenth Meeting, having considered a draft paper on project monitoring and evaluation (UNEP/OzL.Pro/ExCom/18/64), the Executive Committee decided, as an interim step pending the further development of the guidelines:

(a) To ensure that the Fund's objectives are being carried out and to consider "lessons learned" in future operations, Implementing Agencies shall monitor the progress of activities approved by the Fund and evaluate those activities upon their completion. In doing this, it is important to maintain an adequate level of independence and credibility of the system. And it is necessary to strike a balance between the level of oversight that has to be exercised and the cost of doing so;

(b) Implementing Agencies will report to the Executive Committee on implementation progress and final evaluation in their progress reports and business plans, whose format will be updated from time to time to reflect indicators and evaluation criteria of interest to the Committee. On implementation of progress, the Implementing Agencies will highlight successes since the last meeting. The report will also highlight projects for which no significant implementation action has taken place within specified periods of say, 12, 18 and 24 months since project approval. Implementing Agencies should comment on measures taken to correct problems which have arisen during implementation and measures to prevent their repetition;

(c) Project completion reports will discuss and evaluate project implementation success based on business plan indicators and conformance with key project parameters. Reports will be submitted to the Committee within six months of final project disbursements;

(d) The Secretariat will establish an independent review process which will periodically evaluate a small representative sample of completed projects from each agency to ensure that consistent and objective evaluation standards are being applied;

(e) The Secretariat will aggregate information from project completion reports and report to the Committee on the success of the Fund in meeting Fund and project objectives, based on criteria and indicators indicated in the business plan and key project parameters. In addition, the Secretariat will report on the performance of each agency using the same criteria while considering the special nature of an agency's portfolio;

(f) To ensure that sufficient baseline information is available to allow for meaningful monitoring and evaluation of projects, Implementing Agencies will continue to include project implementation schedules and ODP to be phased out in their project documents. They shall also specify which equipment, if any, will be destroyed and other relevant parameters in project proposals submitted to the Executive Committee;

(g) Noting that the World Bank has prepared draft technical guidelines for various sectors to facilitate monitoring and evaluation, the Secretariat will coordinate the adoption of

standard technical guidelines which will be updated periodically to reflect experience in Monitoring and Evaluation and technical developments;

(h) The Secretariat shall work with the Implementing Agencies to finalize the criteria and indicators for institutional-strengthening and clearing-house activities and to incorporate suggestions received during the Eighteenth Meeting of the Executive Committee, for submission to the Executive Committee at its Twentieth Meeting.

Guidelines for halon banking

50. At its Eighteenth Meeting, the Executive Committee decided to approve the following guidelines for halon banking, on an interim basis:

(a) Countries with installed capacities exceeding 250 MT of halon-1301 and 1,000 MT of halon-1211 should be classified as countries with a high level of installed capacity and should qualify for reclamation facilities for halon-1301 and halon-1211, respectively;

(b) Countries with a medium level of installed capacity (250 MT of halon 1301 and 1,000 MT of halon-1211) should be classified for servicing requirements with halon-1211 and halon-1301 recycling and recovery machines. The number will depend on national conditions, but halon-1301 and halon-1211 recycling and recovery machines depend on the size of country and the location of main/critical users;

(c) Countries with a low level of installed capacity should qualify for a one time funding of US \$25,000 which can be used for the acquisition of recycling equipment or as an incentive to recover halons from existing systems, or the establishment of exchange programmes to be decided by the country;

(d) The brokerage function of identifying sources of supply for those with an identified need should be handled by a steering committee consisting of authorities, the fire protection industry, and main users;

(e) Regulations facilitating production and import bans should be established within six months after the reclamation centre is set up; and

(f) Halon-banking operations could be established for eligible countries. The costs for providing capital equipment and management range from US \$250,000 to US \$500,000. Funds for halon-1211/halon-1301 reclamation centres could, if appropriate, be provided on a concessional basis containing a 25 per cent grant component.

51. It also decided to consider for inter-sessional approval bilateral cooperation projects that had been previously submitted, for demonstration purposes on the basis of a full grant component.

52. The Executive Committee agreed to consider at its next Meeting the approval of two demonstration projects per region for countries with a low level of installed capacity, as defined in the interim guidelines, at a proposed level of US \$70,000 per country. It further agreed that, in order to facilitate a final decision by the Executive Committee on halon-banking guidelines, the Secretariat and the Implementing Agencies should closely monitor these

projects as a basis for assessing the interim guidelines in terms of their commercial viability and their financial impact on the Fund, and for assessing the possibility of establishing a regional halon-banking programme, including the possibility of a concessional loan component.

Technological upgrades

53. Following consideration of the issue of the technological upgrade associated with implementation of non-ODS conversion projects, the Executive Committee at its Eighteenth Meeting decided that costs associated with avoidable technological upgrades should not be considered as eligible incremental costs, and therefore should not be funded by the Multilateral Fund. It further decided that the methodologies for the quantification of technological upgrades outlined in the report on technology upgrades prepared by the World Bank with input the Fund Secretariat (UNEP/OzL.Pro/ExCom/18/73) will be used as guidance in the calculation of incremental costs.

Methodology for calculation of operational costs in methylene chloride projects

54. To ensure consistency in the treatment of methylene chloride projects by the Implementing Agencies, the Executive Committee endorsed the recommendations included in UNEP/OzL.Pro/ExCom/16/20, Annex IV.

Options for incremental operational cost durations in the domestic refrigeration sector

55. The Executive Committee agreed at its Fifteenth Meeting to retain the following options for the calculation of incremental operating costs in the domestic refrigeration subsector:

- Ten per cent of incremental capital costs to be paid up-front; or
- Six months of incremental operating costs calculated at current prices and paid up-front or incremental operating costs for a duration of one year adjusted according to the prevailing costs at the time of disbursement, when the modified plant was operating, whichever was greater.

Calculation of incremental operating costs for rigid polyurethane foam projects

56. At its Eighteenth Meeting, the Executive Committee approved a time-frame of up to two years for the calculation of incremental operating costs of all rigid polyurethane foam projects other than those relating to the domestic refrigeration sector.

Duration of the transitional periods for calculating incremental operating costs

57. The Executive Committee requested the Secretariat and the Implementing Agencies to prepare a guidance paper for the Nineteenth Meeting on the transition period for calculating the incremental operating costs for all sectors and subsectors.

Two-stage phase-out in domestic refrigerator foam

58. The Executive Committee decided that Implementing Agencies should note a presumption against HCFCs when preparing projects. Where HCFC projects were proposed for domestic refrigerator foam conversion, the choice of this technology should be fully justified and include an estimate of the potential future costs of second-stage conversion.

Treatment of hydrocarbon technologies

59. In the light of its decision to presume against the use of HCFCs in investment projects and in view of the higher cost of hydrocarbon technologies, primarily due to safety factors, the Executive Committee decided that, for the purpose of calculating the cost-effectiveness value of projects using hydrocarbon technologies, the numerator should be discounted by 35 per cent. That figure would be subject to adjustment in the light of experience and a study on safety matters to be conducted by the Secretariat. It also requested the Secretariat to analyse projects in the pipeline for the commercial refrigeration sector and the rigid polyurethane foam sector where hydrocarbon technologies are used.

Consistency of ODS consumption data in projects and data in country programmes

60. Since the validity of ODS consumption data has increased in importance with the use of cost-effectiveness criteria for the approval of projects, the Executive Committee decided that where ODS data contained in a project submitted differed significantly from the data in a country programme, countries should update the ODS consumption figures in their country programmes for that sector, and submit with the project request the revised figures and a detailed explanation of the reasons for the variation. It further decided that it would consider requests for additional funding made necessary by this updating requirement.

Multiple technology transfer fees

61. The Executive Committee decided to request the Implementing Agencies and countries to ensure that technology transfer fees wherever possible were negotiated to cover groups of projects in which conversion was to take place, to negotiate the best possible terms when the technology in question was to be used at multiple locations, and to append evidence of such negotiations to the project submissions.

Conversion or replacement of intermediate goods in the mobile air-conditioner (MAC) subsector

62. The Executive Committee decided that project proposals in the MAC subsector should emanate from the manufacturers of MAC units themselves, not the manufacturers of component parts.

Funding of conversion of recently erected plants

63. The Executive Committee decided, in the light of technological advances, not to consider any projects to convert any ODS-capacity installed after 28 July 1995.

Methyl bromide surveys

64. At its Seventeenth Meeting, the Executive Committee approved three regional methyl bromide data-collection and demonstration workshops. In doing so, the Committee agreed that approval of those projects did not prejudice any other country-specific proposals for methyl bromide projects that may be submitted.

Calculation of cost-effectiveness values

65. The Executive Committee noted that a number of projects with cost-effectiveness values above the cost-effectiveness threshold had been submitted for partial funding of total project costs. It decided that partial funding should be allowed and encouraged, that the cost-effectiveness of projects for enterprises with multinational corporation ownership and enterprises that exported to non-Article 5 countries should be determined using as a basis the eligible amount of the grant, and that consumption should be calculated on the basis of either the year or an average of the three years immediately preceding project preparation.

Low-ODS-consuming countries

66. The Executive Committee decided to take an annual consumption level of 360 tonnes as the cut-off point below which a country would be considered to be a low-ODS-consuming country for the purposes of determining the eligibility of projects for funding from the allocation reserved for such countries. There would not, however, be a separate set of cost-effectiveness thresholds to be applied to projects from low-ODS-consuming countries that did not meet the general threshold values agreed by the Executive Committee

Process agents

67. The Executive Committee decided that projects involving process agents should be deferred until the Parties had taken a decision on the issue.

Aerosols

68. In view of the good cost-effectiveness of aerosol sector projects and the desirability of supporting the initiation of phase-out activities for contract fillers in this sector, the Executive Committee decided to continue taking into account incremental operating savings when preparing aerosol project proposals and to request Implementing Agencies to calculate net operating costs/savings in the aerosol sector, including the difference in cost per can when filling with CFCs or hydrocarbon aerosol propellants (HAPs), when preparing project proposals. It also recognized that savings resulting from CFC phase-out for contract fillers and in circumstances where a parallel market exists, may accrue to the national economy, but that quantifying those savings is analytically difficult and applying them at the project level may not always be feasible.

Guidelines for the tobacco sector

69. At its Eighteenth Meeting, the Executive Committee decided that there was a need for the establishment of guidelines in the tobacco sector and requested the Secretariat to prepare

draft guidelines for consideration at the Committee's Twentieth Meeting. Suggestions for the preparation of such guidelines should be transmitted to the Fund Secretariat by the end of January 1996.

Other policy issues

70. The Executive Committee decided to consider the following issues at its Nineteenth Meeting:

- (a) Approaches to phase-out in small and medium-sized enterprises;
- (b) Approaches to phase-out in low-ODS-consuming countries and very-low-ODS-consuming countries;
- (c) The establishment of evaluation and monitoring guidelines for the institutional-strengthening projects;
- (d) What action should be taken a locally-owned company for which a project has been approved became significantly foreign-(i.e. non-Article 5) owned, before or after the signature of the project document or grant agreement with the Implementing Agency;
- (e) Alternatives to the project-by-project approach as a result of the request to the Implementing Agencies to prepare business plans;
- (f) The establishment of guidelines for the production sector.

F. Matters relating to Meetings of the Parties

Review under paragraph 8 of Article 5 of the Montreal

71. In accordance with decision V/11 of the Fifth Meeting of the Parties, the Executive Committee completed the Review under paragraph 8 of Article 5 of the Montreal Protocol. The Chairman of the Executive Committee presented the Report on the Review at the eleventh meeting of the Open-ended Working Group of the Parties, in May 1995.

Report from the Executive Committee to the twelfth meeting of the Open-ended Working of the Parties to the Montreal Protocol

72. As requested by the Open-ended Working Group of the Parties to the Montreal Protocol at its eleventh meeting, the Executive Committee examined the Study on the Financial Mechanism under decision IV/18 of the Fourth Meeting of the Parties and submitted its report to the Open-ended Working Group at its twelfth meeting on the understanding that it was without prejudice to acceptance by the Parties of the recommendations of the consultants who had undertaken the review.

Reports requested by the Open-ended Working Group of the Parties at its twelfth meeting

73. As requested by the Open-ended Working Group of the Parties at its twelfth meeting, the Executive Committee has forwarded the following two reports to the Seventh Meeting of the Parties:

(a) Financial planning in the Multilateral Fund (UNEP/OzL.Pro.7/8);

(b) Interim progress report on technology transfer under the Multilateral Fund (UNEP/OzL.Pro.7/10).

G. Fund Secretariat activities

74. The Secretariat is responsible for assessing and offering recommendations to the Executive Committee regarding: country programmes and Implementing Agency work programmes, project proposals, and progress and financial reports submitted by Implementing Agencies and for the Parties providing bilateral cooperation. These recommendations provided the basis for many of the decisions regarding general policy issues arising from project review.

75. In addition, the Fund Secretariat prepared all the policy papers requested by the Executive Committee and the Parties.

76. In connection with its other responsibilities, the Fund Secretariat has provided documentation, archiving, and conference services for all the meetings of the Executive Committee and the Sub-Committees. It has responded to enquiries about the Fund and liaised with Parties, Implementing Agencies and other bilateral and multilateral institutions.

77. The Secretariat also maintains and circulates a current inventory of projects to avoid duplication of efforts between the Implementing Agencies and other institutions. The Inventory of Approved Projects is available to all Parties at the annual Meetings of the Parties along with the Information Booklet which provides background information on the Multilateral Fund. The Secretariat has also prepared a database which includes all decisions taken by the Parties and the Executive Committee regarding the Multilateral Fund.

H. Reports of the Executive Committee

78. The reports of the Fifteenth, Sixteenth and Seventeenth Meetings of the Executive Committee (UNEP/OzL.Pro/ExCom/15/45, UNEP/OzL.Pro/ExCom/16/20 and UNEP/OzL.Pro/ExCom/17/60) were sent to all Parties. The report of the Eighteenth Meeting (UNEP/OzL.Pro/ExCom/18/75) will be made available to the Parties at their Seventh Meeting.

