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EXECUTIVE COMMITTEE OF THE
MULTILATERAL FUND UNDER THE
MONTREAL PROTOCOL

First Meeting
Montreal, 19–21 September 1990

**REPORT OF THE FIRST MEETING OF THE EXECUTIVE COMMITTEE
OF THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL**

I. INTRODUCTION

1. The first meeting of the Executive Committee of the Multilateral Fund under the Montreal Protocol was held in Montreal from 19 to 21 September 1990 at the invitation of the Government of Canada. The meeting was convened in pursuance of decisions II/8 and II/8A adopted at the Second Meeting of the Parties to the Montreal Protocol held in London from 27 to 29 June 1990 (UNEP/OzL.Pro.2/3).

II. ORGANIZATIONAL MATTERS

A. Opening of the meeting

2. In his opening statement, Mr. I. Ristimâki, Chairman, highlighted the four major issues on the meeting's agenda: to decide on the establishment of the Multilateral Fund, to decide on the location of the Fund Secretariat, to give a clear authorization to initiate the process of recruiting the Chief Officer, and to formulate the position of the Executive Committee as regards the arrangements to be made with and among the three implementing agencies, namely, UNEP, UNDP and the World Bank. Mr. Ristimâki stressed the importance of reaching decisions on all those key points during the meeting so as to be able to make the Fund operative from 1 January 1991.

3. Dr. R. Slater, Assistant Deputy Minister, Policy, Environment, Canada, said that it was particularly fitting that the first meeting of the Executive Committee should take place in Montreal, where only three years previously the Protocol that constituted a model for progress on global environmental issues had been adopted. The creation of the Fund was a demonstration of international co-operation and, provided that it was both efficient and effective, it could become the model for similar and even more complex enterprises in the future. It was Canada's hope that the Fund would become

operational soon and Canada reiterated its offer to host the Secretariat and its various functions and provide up to \$5 million towards the cost of establishing the facilities in Montreal. Canada believed that Montreal had much to offer as a site for the Secretariat, but regardless of the decision taken by the Executive Committee, it would continue to play an active and enthusiastic role in promoting the success of the Fund and the Protocol.

4. The Executive Director of UNEP outlined the matters to be considered and, where appropriate, decided upon by the Executive Committee (UNEP/OzL.Pro/ExCom.1/1). With regard to agreements with the implementing agencies, he informed participants that during a meeting he had held with the Administrator of UNDP and the President of the World Bank, a draft agreement had been drawn up defining procedural arrangements for co-operation among UNDP, the World Bank and UNEP. The draft agreement would be circulated to participants and would be signed when the Executive Committee invited the Administrator of UNEP, the President of the World Bank and himself to implement co-operation in accordance with the decision of the Parties. The three organizations had also issued a joint statement on the Global Environmental Facility, which, after final agreement, would provide a total of 1 billion SDRs for four priority environmental areas, including ozone layer protection. In conclusion, he drew attention to the need to consider timely payment of contributions to the Fund because no commitments could be made against the Fund unless resources were available in the account.

B. Attendance

5. The meeting was attended by representatives of the following countries selected to be members of the Executive Committee in accordance with decision II/8 adopted by the Second Meeting of the Parties:

(a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Canada, Federal Republic of Germany, Finland, Japan, Netherlands, United States of America and Union of Soviet Socialist Republics.

(b) Parties operating under paragraph 1 of Article 5 of the Protocol: Brazil, Egypt, Ghana, Jordan, Malaysia, Mexico and Venezuela.

6. At the invitation of the Executive Committee, representatives of the United Nations Environment Programme, United Nations Development Programme and the World Bank also attended.

C. Appointment of the Secretary

7. Mrs. I. Rummel-Bulska (UNEP, Acting Secretary of the Secretariat for the Vienna Convention and its Montreal Protocol, was appointed Secretary of the first meeting.

D. Adoption of the agenda and rules of procedure

8. The following agenda, as contained in document UNEP/OzL.Pro/ExCom.1/L.1, was adopted.

1. Opening of the meeting.
2. Organizational matters:

- (a) Adoption of the agenda;
 - (b) Appointment of the Secretary of the first meeting of the Executive Committee;
 - (c) Rules of procedure.
3. Matters for decision by the Executive Committee:
- (a) Establishment of the Multilateral Fund, including the development of financial regulations and rules;
 - (b) Recruitment of the Chief Officer;
 - (c) Location of the Fund Secretariat;
 - (d) Budget of the Fund Secretariat for 1991;
 - (e) Other matters related to the Secretariat;
 - (f) Call for contributions to the Fund by Parties to the Montreal Protocol and updating the scale of contributions;
 - (g) Invitation to the implementing agencies (World Bank, United Nations Environment Programme and United Nations Development Programme):
 - (i) To co-operate with the Executive Committee acting on behalf of the Parties to the Montreal Protocol;
 - (ii) To develop specific agreements with the Executive Committee;
 - (iii) To develop an inter-agency agreement;
 - (h) Invitation to other agencies (regional development banks and others) to co-operate with the Executive Committee.
4. Matters for consideration and future decision:
- (a) Outlines for the three-year plan and budget of the Fund;
 - (b) Criteria for project eligibility and guidelines for the implementation of activities supported by the Fund;
 - (c) Criteria for consideration of bilateral and regional contributions as contributions to the Multilateral Fund;
 - (d) Criteria for reporting by the implementing agencies;
 - (e) Support costs of the implementing agencies;
 - (f) Rolling budgets of the Fund Secretariat for 1992 and 1993.
5. Date and venue of the second meeting of the Executive Committee.

6. Other matters.
7. Adoption of the report.
8. Closure of the meeting.

9. It was agreed that the Rules of Procedure for Meetings of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (UNEP/OzL.Pro.1/5, Annex I) should apply mutatis mutandis to the first meetings of the Executive Committee with the provision that observers would only be invited upon request by the Executive Committee. It was decided that draft rules of procedure taking into account the specificities of the Executive Committee should be formulated by the Fund Secretariat for consideration and adoption by the Executive Committee.

III. SUBSTANTIVE MATTERS

10. With regard to agenda item 3 (a), establishment of the Multilateral Fund, including the development of financial regulations and rules, the representatives of UNEP, UNDP and the World Bank were requested by the meeting to provide answers to the following questions:

1. Has the agency provided similar services previously?
2. Could the agency provide a model for the following services: establishment of the Fund, formulation of financial rules and regulations, receiving and disbursing funds, treasury services and auditing?
3. What would the agency charge for such services?
4. When would it be able to implement the decision by the Committee?

11. Representatives of the three organizations provided the requested information in turn.

12. On behalf of the three organizations, the Executive Director of the United Nations Environment Programme presented the draft Proposed Structure of the Specific Agreements between the Executive Committee and each of the three main co-operating agencies - UNDP, World Bank, UNEP - and outlined the elements that would go into the specific agreements between each of the three organizations and the Executive Committee for the implementation of the activities destined to implement the Montreal Protocol. The Committee discussed these elements and gave the representatives of the organizations its views. It was emphasized that programmes developed by the organizations would respect and be within overall the programme framework developed by the Executive Committee, e.g. they will essentially be based on specific requests from countries operating under Article 5, paragraph 1.

IV. DECISIONS

13. The Executive Committee requested the Executive Director of UNEP to secure the approval of the Secretary-General of the United Nations to establishing the Interim Multilateral Ozone Fund in accordance with the financial rules and regulations of the United Nations and to its administration by the Executive Director of UNEP. The account established

with UNEP would receive contributions to the Interim Multilateral Ozone Fund and would make transfers from it according to directions provided by the Executive Committee. In its presentations to the Executive Committee, UNEP stated that no additional charge would be required for operating as "treasurer" of the Fund and that all associated costs would be covered by its overhead charge assessed against the funds it receives in its role as one of the implementing agencies.

14. The Executive Committee decided that the Fund Secretariat, co-located with UNEP, should have Montreal as its venue. The Executive Committee accepted the offer of the Government of Canada to cover any additional costs of locating and operating the Secretariat in Canada relative to costs associated with UNEP Headquarters. The coverage of these costs should be included in the host country agreement to be concluded between Canada and UNEP and adjusted on an annual basis.

15. The Executive Committee approved a job description for the position of Chief Officer of the Secretariat of the Interim Multilateral Ozone Fund and decided that: (1) the position should be advertised in an expeditious manner using UNEP personnel procedures; and (2) a recruitment committee headed by Mexico (Vice-Chair) and composed of the representatives of the Federal Republic of Germany, Ghana and the USSR should review all applications, interview leading candidates and make a recommendation to the next meeting of the Executive Committee.

16. The Executive Committee adopted the job description of the Chief Officer as contained in Annex I.

17. The Executive Committee decided to refer the issue of the budget of the Fund Secretariat for 1991 (agenda item 3 (d)), as well as the issue of other matters related to the Secretariat (agenda item 3 (e)), to its next meeting.

18. The Executive Committee adopted the draft letter calling for contributions to the Fund by the Parties to the Montreal protocol as contained in Annex II and requested the Executive Director of UNEP to send them at an early date.

19. The Committee also adopted the draft letter inviting the regional banks and UNIDO to co-operate with the Executive Committee as contained in Annex III. The Committee would return to the question of inviting other agencies at its next meeting.

20. The Executive Committee requested the implementing agencies - UNEP, UNDP and the World Bank - to co-operate with and assist the Parties within their respective areas of expertise in the context of country programmes developed to facilitate compliance with the Protocol.

21. The Executive Committee invited the implementing agencies to develop an inter-agency agreement and specific agreements with the Executive Committee acting on behalf of the Parties. A proposed structure for such agreements is contained in Annex IV.

22. The Executive Committee welcomed the draft inter-agency agreement presented to the meeting by UNEP, UNDP and the World Bank and invited these agencies to sign such an agreement taking into account the discussion during this meeting. The draft inter-agency agreement is contained in Annex V.

23. The Executive Committee invited the heads of the three agencies to develop and propose specific agreements with the Executive Committee for its consideration at its next meeting. One member of the Executive Committee offered to prepare in consultation with all the other members documentation which would assist the Executive Committee in its consideration of the specific draft agreements.

24. the Executive Committee decided to postpone the discussion on matters for future decision (agenda item 4) until its next meeting. It was emphasized that the consideration of these matters should be accelerated as much as possible. In this context, the Executive Committee welcomed the proposal of one of its members to prepare in consultation with all the other members draft criteria for project eligibility and guidelines for the implementation of activities supported by the Fund for consideration at its next meeting.

25. The Executive Committee requested the Secretariat of the Vienna Convention and its Montreal Protocol to continue providing secretarial services to the Multilateral Fund. All expenses related to these services will at a later stage be charged to the Multilateral Fund.

26. The Executive Committee stressed that the decisions made applied to the Interim Multilateral Ozone Fund would be made after a review of the interim arrangements. Members of the Executive Committee emphasized that the location of the Fund Secretariat outside Nairobi should not be taken as a precedent for the establishment of possible future secretariats, e.g. for climate or biological diversity, at another venue than Nairobi. Members of the Executive Committee were convinced that the establishment of the Multilateral Ozone Fund as now decided gives further strength to UNEP.

V. DATE AND VENUE OF THE SECOND MEETING OF THE EXECUTIVE COMMITTEE

27. The Executive Committee decided to hold its second meeting in Montreal from 17 to 19 December 1990.

VI. ADOPTION OF THE REPORT

28. After having adopted the decisions contained in this report at its first meeting, in accordance with a decision taken at that meeting, the Executive Committee adopted the present report at its second meeting, held in Montreal from 17 December 1990.

VII. CLOSURE OF THE MEETING

29. The Executive Committee thanked the Government of Canada, and in particular the Minister for Environment, Mr. Robert R. de Cotret, for organizing the Committee's first meeting and for the kind hospitality of the Government.

30. Following the customary exchange of courtesies, the Chairman declared the meeting closed at 3.15 p.m. on Friday, 21 September 1990.

ANNEX I

Job description

- TITLE:** Chief Officer, Secretariat of the Multilateral Fund for Ozone Layer Protection under the Montreal Protocol
- LEVEL:** D-2
- DUTY STATION:** Montreal, Canada
- Under the guidance and instruction of the Executive Committee of the Multilateral Fund, the Chief Officer will assist the Executive Committee in the discharge of its functions and report to it.
- The Chief Officer, nominated by the Executive Committee, is appointed by the Executive Director of the United Nations Environment Programme (UNEP). The Fund Secretariat operating under the Chief Officer is co-located with UNEP.
- FUNCTIONS:** The Chief Officer will carry out the following functions:
- (a) Develop for consideration and adoption by the Executive Committee specific operational policies, guidelines and administrative arrangements, including those relevant to the disbursement of resources, monitor the implementation of these policies, guidelines and arrangements and report thereon to the Executive Committee;
 - (b) Develop for consideration by the Executive Committee and adoption by the meeting of the Parties to the Protocol the three-year plan and budget for the Multilateral Fund, including allocation of Multilateral Fund resources among the implementing agencies (UNDP, UNEP, World Bank, regional development banks and other agencies);
 - (c) Develop and manage arrangements with the implementing agencies for the programme as approved by the Executive Committee;
 - (d) Prepare performance reports on the implementation of activities supported by the Multilateral Fund for regular review by the Executive Committee;
 - (e) Facilitate the monitoring and evaluation of expenditure incurred under the Multilateral Fund by the Executive Committee;

- (f) Assess activities or projects established on the basis of country specific studies and presented with a view to support from the Fund, including those related to meeting agreed incremental costs so as to ensure that they meet criteria set by the Executive Committee, and to report thereon to the Committee;
- (g) Present for approval by the Executive Committee, as appropriate, project proposals or groups of project proposals where the agreed incremental costs exceed \$500,000;
- (h) Prepare the Executive Committee's review of any disagreement by a Party operating under paragraph 1 of Article 5 with any decision taken with regard to a request for financing by that Party of a project or projects where the agreed incremental costs are less than \$500,000;
- (i) Prepare the Executive Committee's annual assessment of whether contributions through bilateral co-operation, including particular regional cases, comply with the criteria set out by the Parties for consideration as part of the contributions to the Multilateral Fund;
- (j) Make preparations for the review and adoption by the Executive Committee of annual reports to be presented to the meeting of the Parties on the activities exercised under the functions outlined above;
- (k) Be responsible for the day-to-day administration of the Fund Secretariat;
- (l) Monitor the relevant activities of the implementing agencies;
- (m) Organize the meetings of the Executive Committee, including preparing documents and reports of the meeting;
- (n) Ensure that steps are taken for the Parties' expeditious payment of their contributions towards the Multilateral Fund and encourage additional contributions from other sources;
- (o) Perform such other functions as may be assigned to him/her by the Executive Committee.

QUALIFICATIONS: University degree in economics, finance, accounting, business administration, public administration of any other relevant field. Minimum of 15 years experience, and with at least 5 years at a senior level. Experience in dealing with international organizations and/or national Governments. Working knowledge of English is essential and knowledge of other United Nations language will be an asset.

ANNEX II

Letter requesting contributions towards the Interim Multilateral
Ozone Fund established under the Montreal Protocol

Sir,

I have the honour to refer to Decision II/8 of the Second Meeting of the Parties to the Montreal Protocol, which was held in London from 27 to 29 June 1990. The Report of the Meeting containing the decisions made by the Parties is enclosed. The Parties decided to operate the financial mechanism established as part of the Amendment to the Montreal Protocol for an interim period of three years, beginning on 1 January 1991. Article 10 of the Amendment establishes a financial mechanism that includes a Multilateral Fund, as well as bilateral, other multilateral and regional co-operation.

The Parties also agreed on the sum of \$US160 million for the Interim Multilateral Fund and made a commitment to raise the amount by up to \$US80 million during the three-year period when more countries would become Parties to the Montreal Protocol. The scale of contributions to be made by the Parties that are not operating under paragraph 1 of Article 5 of the Montreal Protocol was adopted by the Parties on the basis of the United Nations scale of assessment. The percentages of contribution by each Party and the actual amount of the Pledged contribution are contained in Appendix III of Annex IV of the Report of the Second Meeting of the Parties (UNEP/OzL.Pro.2/3).

I would also ask you to note Appendix IV of Annex IV of the Report, which included a section on Budget and Contributions. The general rules and regulations are outlined in this section.

It is very important for the pledged contributions for the year 1991 to be paid to the Multilateral Fund at an early date, if possible even before 1991, so that the Fund can become operational from 1 January 1991, as decided by the Parties.

I have the honour to request your Government to pay its pledged contribution of \$US..... towards the Multilateral Fund before the end of this year into the following account:

.....
.....
.....

Accept, Sir, the assurances of my highest consideration.

Dr. M.K. Tolba
Executive Director
United Nations Environment Programme

ANNEX III

Letter of invitation to other agencies to co-operate with and assist the Executive Committee in carrying out its functions

Sir,

I would like to refer to Decision II/8 of the Second Meeting of the parties to the Montreal Protocol, which was held in London from 27 to 29 June 1990. The Report of the Meeting containing the decisions made by the Parties is enclosed. The Parties decided to operate the financial mechanism established as part of the Amendment to the Montreal Protocol for an interim period of three years, beginning on 1 January 1991. Article 10 of the Amendment establishes a financial mechanism that includes a Multilateral Fund, as well as bilateral, other multilateral and regional co-operation.

As part of the Financial Mechanism, the Parties also established an Executive Committee of the Multilateral Fund to develop and monitor the implementation of specific operational policies, guidelines and administrative arrangements, including the disbursement of resources for the purpose of achieving the objectives of the Multilateral Fund.

The terms of reference of the Interim Multilateral Ozone Fund adopted by the Parties state in paragraph 3 (d):

"Other agencies, in particular regional development banks, shall also be invited by the Executive Committee to co-operate with and assist it in carrying out its functions."

In its first meeting in Montreal from 19-21 September 1990, the Executive Committee requested the Executive Director of UNEP to secure the approval of the Secretary-General of the United Nations to establishing the Interim Multilateral Ozone Fund in accordance with the financial rules and regulations of the United Nations and to its administration by the Executive Director of UNEP. The Executive Committee also decided that the Fund Secretariat co-located with UNEP, shall have Montreal as its venue.

On behalf of the Executive Committee, I would like to extend an invitation to your agency to co-operate with the Committee in the efforts to make the financial mechanism and the Interim Multilateral Ozone Fund a successful operation. If your agency is willing to co-operate, I would highly appreciate receiving an indication of your willingness and some suggestions on specific areas and the kind of assistance that your agency might be able to provide.

I look forward to hearing from you in this regard.

Please send your reply to the Chief Officer, Multilateral Fund Secretariat through the Ozone

Secretariat, UNEP. The address is indicated below:

Chief Officer, Multilateral Fund Secretariat
c/o Secretariat for the Vienna Convention and its Montreal Protocol
United Nations Environment Programme
P.O. Box 30552
Nairobi
Kenya
(Telex: 22068 UNEP KE; Telefax: 254 2 520711)

Yours sincerely

Ilkka Ristimäki
Chairman, Executive Committee

ANNEX IV

Proposed structure of the specific agreements between the Executive Committee and each of the three main co-operating agencies - UNDP, World Bank, UNEP

1. Purpose of the Agreement.
2. Scope of co-operation.
3. Availability and use of resources.
4. Compliance with criteria for eligibility, policy guidelines and terms of financing.
5. Applying considerations relevant to effective and economically efficient programmes and projects that are consistent with any criteria adopted by the Parties.
6. Operational procedures:
 - (a) Development of proposed programme of activities;
 - (b) Approval by the Executive Committee;
 - (c) Management of the approved programme.
7. Financial provisions:
 - (a) Terms of transfer of resources approved by the Executive Committee;
 - (b) Reimbursement;
 - (c) Applicable financial regulations and rules;
 - (d) Investment of resources when applicable;
 - (e) Support costs;
 - (f) Limitation on expenditures;
 - (g) Unforeseen increases in costs (inflation/exchange rates);
 - (h) Ownership of equipment;
 - (i) Audit;
 - (j) Arbitration.

8. Reports:
 - (a) Financial - every six months;
 - (b) Substantive - every year.
9. Parallel financing arrangements.
10. Participation in meetings of the Executive Committee.
11. Consultations with the other two main co-operating agencies.
12. Amendment.
13. Termination.
14. Effective date.
