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EXECUTIVE COMMITTEE FOR THE
MULTILATERAL FUND UNDER THE
MONTREAL PROTOCOL

Second Meeting
Montreal, 17-19 December 1990

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

REVISION

I. INTRODUCTION

1. The second meeting of the Executive Committee of the Multilateral Fund under the Montreal Protocol was held in Montreal from 17 to 19 December 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 27-29 June 1990 (UNEP/OzL.Pro.2/3).

II. ORGANIZATIONAL MATTERS

A. Opening of the meeting

2. In his opening statement, the Chairperson, Mr. I. Ristimäki, emphasized that the main issues to be decided upon by the meeting in order to make the Fund operative related to the appointment of the Chief Officer and definition of the overall modalities for the implementation of activities to be financed from the Fund. He noted that the implementing agencies had already agreed on the procedural arrangements for inter-agency co-operation, as requested by the Executive Committee at its first meeting.

3. Dr. M.K. Tolba, Executive Director of UNEP, reported that the Fund had been established and explained the steps taken in this respect (see para. 16 of this report). He stressed, however, that no commitment could be made against the Fund until the requisite sums had either been paid into the Fund's special bank account or were in the process of being transferred by governments. He therefore suggested that the Committee should consider how the bridging period at the beginning of 1991 could be covered. The Committee should also decide when it whisked co-operating agencies to submit proposed activities for the disbursement of resources. Finally, the Committee would be called upon to take a number of decisions regarding the revised budget.

B. Attendance

4. The meeting was attended by representatives of the following countries, selected and endorsed as members of the Executive Committee in accordance with decision II/8 adopted by the Parties at their Second Meeting:

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

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

5. At the invitation of the Executive Committee, representatives of the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and the World Bank also attended.

6. The representative of the President of the Bureau of the Meeting of the Parties to the Montreal Protocol also attended. The Executive Committee invited the President to be represented at future meetings.

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 Second Meeting.

D. Adoption of the agenda and rules of procedure

8. The following agenda, as contained in document UNEP/OzL.Pro/ExCom.2/1/Rev.1, was adopted.

1. Opening of the session.
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Appointment of the Secretary
 - (c) Adoption of the report of the first meeting of the Executive Committee;
 - (d) Invitation of observers.
3. Progress reports:
 - (a) Establishment of the Multilateral Fund, including financial regulations and rules;
 - (b) Call for contributions to the Fund by parties to the Montreal Protocol and updating the scale of contribution;

- (c) Invitation to the implementing agencies (UNDP, UNEP and the World Bank):
 - (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.
 - (d) Invitation to other agencies (regional development banks and others) to co-operate with the Executive Committee.
4. Matters for decision by the Executive Committee:
- (a) Recruitment of the Chief Officer;
 - (b) Budget of the Fund Secretariat for 1991;
 - (c) Outlines for the three-year plan and budget of the Fund;
 - (d) Modalities of implementation, including project eligibility, and criteria for reporting by the implementing agencies;
 - (e) Criteria for consideration of bilateral and regional contributions to the Multilateral Fund.
5. Date and venue of the third meeting of the Executive Committee.
6. Other matters.
7. Adoption of the report
8. Closure of the session.

9. At the first meeting of the Executive Committee, it had been decided 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 until such time as draft rules of procedure, taking into account the specificities of the Executive Committee, have been adopted by the Executive Committee.

III. SUBSTANTIVE MATTERS

10. The Committee agreed on the following provisions regarding participation by observers:
1. The implementing agencies are invited to participate as observers in the Committee's meeting.
 2. The President of the Bureau of the Meeting of the Parties to the Protocol or his representative will be invited for the purpose of co-ordination.
 3. States not members of the Executive Committee, as well as any body or agency, whether national or international, governmental or non-governmental, qualified in fields relating to the protection of the ozone layer, may be invited for a specific reason and purpose on a case-by-case basis, upon request by the Executive Committee, to attend its meetings as an observer.
 4. The Executive Committee may arrange, as appropriate, and in connection with its meetings, for a special opportunity to be given to NGOs to address the Committee, and the Committee would, when appropriate, give a briefing after its meetings to the press and NGOs.
11. The attention of the Committee was drawn to paragraph 9 of the report of its first meeting (UNEP/OzL.Pro/ExCom.1/3) in which the Executive Committee 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. Reference was also made to paragraph 9 of the Terms of Reference of the Executive Committee (Appendix II of Annex IV of the Report of the Second Meeting of the Parties, UNEP/OzL.Pro.2/3), which states that the Executive Committee shall adopt other rules of procedure on a provisional basis and in accordance with paragraphs 1 to 8 of these terms of reference. Such provisional rules of procedure shall be submitted to the next annual meeting of the Parties for endorsement. This procedure shall also be followed when such rules of procedure are amended.
12. In connection with the participation of implementing agencies in meetings of the Executive Committee, the Executive Director of UNEP emphasized that, apart from UNEP's attendance at these meetings in the capacity of an implementing agency, the Executive Director of UNEP, being the head of the agency designated by the Parties as Secretariat of the Vienna Convention and the Montreal Protocol, attended these meetings in accordance with Rule 27 of the Rules of Procedure for meetings of the Parties.

13. The Chairman of the Recruitment Committee reported on the Committee's recommendation regarding the appointment of a Chief Officer of the Secretariat of the Interim Multilateral Ozone Fund. He referred to the meeting of members of the Recruitment Committee, namely, Mexico, Germany, Ghana and USSR, held at Nairobi at the beginning of December 1990, during which the files of candidates who had submitted applications were reviewed and a short list of three candidates was drawn up. The representative of the Executive Director of UNEP had also attended this meeting. The Recruitment Committee had met again at Montreal on 17 December 1990 and had interviewed the three short-listed candidates. The Chairman presented a recommendation to the Executive Committee regarding one of the candidates with the understanding that the final decision would be taken by the Executive Committee. One delegation requested that the Executive Committee be given the curriculum vitae of all three candidates short-listed at the first meeting of the Recruitment Committee.

14. The Executive Director informed the Committee of the procedure for appointing a Chief Officer. Taking into account the administrative process required by the United Nations procedure, the Chief Officer could in practice start work at the beginning for February 1991. The Executive Director emphasized, however, that Secretariat staff members, including the Chief Officer, could be appointed only when the Fund has received adequate payments from the Parties to the Montreal Protocol.

Agenda item 3 (a)

15. Developed countries members of the Executive Committee reported on the action undertaken by their governments regarding payments to the Multilateral Fund. Most of them expected to pay at least the first substantial part of their contributions between January and March 1991. The Executive Director reported that two other developed countries Parties to the Protocol had indicated to him that their payments would also be made at the beginning of 1991. One member stated that its contribution would be made in kind.

16. The Executive Director reported to the Executive Committee on his action concerning the establishment of the Multilateral Fund and the Montreal Protocol. He referred to his correspondence with Mr. Kofi Annan, Assistant Secretary-General and Controller, Office for Programme Planning, at United Nations Headquarters. He drew the attention of the Committee to some points that had required clarification with the Committee to some points that had required clarification with the Controller, and this had been done in an exchange of correspondence. This exchange of correspondence confirmed establishment of the Multilateral Fund and set out all the issues regarding its operation between UNEP, acting as Treasurer, and United Nations Headquarters.

Agenda item 3 (b)

17. The UNEP Secretariat reported that the letters requesting contributions to the Interim Multilateral Fund Ozone Fund established under the Montreal Protocol had been sent on 29 October 1990. It also informed the Executive Committee of the changes in updating the scale of contributions since the last meeting of the Executive Committee in September 1990. It referred to two additional Parties to the Protocol not operating under paragraph 1 of Article 5, namely, Poland and Czechoslovakia, and to the fact that unification of Germany had created a situation that required further consideration as far as the scale of contributions was concerned. The attention of the meeting was drawn to the fact that, at the London meeting, the Parties had agreed that contributions from States that become Parties not operating under paragraph 1 of Article 5 after the beginning of the mechanism's financial period should be calculated on a pro rata basis for the balance of the financial period. It had also agreed that contributions not immediately required for the purposes of the Multilateral Fund should be invested under the authority of the Executive Committee and any interest so earned should be credited to the Multilateral Fund. The Executive Committee agreed that Germany's future contribution should be based on the forty-fifth General Assembly's scale of assessment for Germany and that the matter should be taken up at the next meeting of the Parties. The representative of the USSR stated that it was possible for the USSR to contribute to the Fund not in cash but in kind.

Agenda item 3 (c)

18. The Executive Committee took note of the tripartite agreement among UNEP, UNDP and the World Bank on Procedural Arrangements for Co-operation and Assistance in Protecting the Ozone Layer in the Context of the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer. The Executive Committee welcomed the agreement, attached as Annex 1 to this report.

Agenda item 3 (d)

19. The Chairman of the Executive Committee informed the meeting that the letters of invitation to other agencies to co-operate with and assist the Executive Committee in carrying out its functions, as requested by the Executive Committee at its meeting held in September 1990, has been sent to five regional development banks and the United Nations Industrial Development Organization (UNIDO). The UNEP Secretariat reported that no replies had yet been received. The Executive Committee requested the Secretariat to follow up these letters, particularly that to UNIDO.

Agenda item 4 (a)

20. The Executive Committee nominated Mr. O. El-Arini, for appointment by the Executive Director of UNEP, as Chief Officer of the Interim Multilateral Ozone Fund.

Agenda item 4 (b)

21. The Executive Director of UNEP presented possible changes to the budget of the Fund Secretariat for 1991 and reported on the state of negotiations regarding the renting of offices for the Multilateral Fund. The attention of the Executive Committee was drawn to decision II/8 of the report of the Second Meeting of the Parties, which requested the Executive Committee to present to the Third Meeting of the Parties a revised version of the budget for the Fund Secretariat in the light of the experience gained during its implementation. The Executive Director also informed the members of the Executive Committee that it would be advisable to review the structure of the Secretariat contained in the Provisional Budget for the Multilateral Fund Secretariat (Annex V of UNEP/OzL.Pro.2/3).

22. The Executive Committee decided, for the guidance of the Fund Secretariat, to block expenditure under budget lines 1202, 1203 (Consultants), 1320 (Regional Workshops), 3201 (Training Courses) and 3301 (Workshops) in the provisional budget contained in Annex V of the report of the Second Meeting of the Parties (UNEP/OzL.Pro.2/3), since these were functions that came under those of the clearing-house for which UNEP can present proposals to the Executive Committee for financing from the Interim Multilateral Fund.

23. The Committee authorized expenditure, as soon as sufficient contributions had been received, under new budget lines 4201 (Furniture) of \$320,000, and 4301 (Rent of Offices) of \$272,110. It authorized UNEP to sign the lease for the proposed accommodation for five years and to purchase furniture for these offices.

24. Furthermore the Committee requested the Chief Officer to prepare a revised budget and present it to the next meeting of the Executive Committee. The Executive Committee decided to take up the question of support costs at its third meeting.

25. With regard to recruitment of the Fund Secretariat's staff, it was emphasized that there was a need to proceed with recruitment of minimum staff for the proper functioning of the Secretariat. These appointments would be made in accordance with UNEP procedures.

26. The Chief Officer was authorized to take measure towards early recruitment of some key staff members in consultation with the Chairperson and the Vice-Chairperson.

Agenda item 4 (c)

27. This sub-item was postponed for consideration at the third meeting of the Committee.

Agenda item 4 (d)

28. The Executive Committee decided to establish a sub-committee to prepare, prior to its third meeting, proposals for more detailed implementation guidelines and criteria for project selection, including procedures for consideration and approval of proposals with costs up to \$500,000, taking into account the drafts contained in documents UNEP/OzL.Pro/ExCom.2/2, 2/3, and 2/4 and any other papers. The implementing agencies would assign members to the sub-committee.

29. The Executive Committee invited the heads of the three implementing agencies to develop further their proposals for specific agreements with the Executive Committee. The Executive Committee intends to consider these specific agreements at its third meeting.

30. The draft elements for guidelines for the implementation of activities supported by the Multilateral Fund prepared by the sub-committee are contained in Annex II. The sub-committee would elaborate these draft elements further for submission to the Executive Committee at its third meeting.

31. The Executive Committee invited the three implementing agencies to consult the Chief Officer and submit their initial work programmes for 1991 and the related budgets. The Executive Committee intends to consider these initial work programmes at its third meeting, based on contributions received into the Fund account.

32. The implementing agencies indicated that it was their understanding that the entitlement of countries to receive technical co-operation and support in developing country programmes was subject to requests being made in a timely fashion and to approval of funding by the Executive Committee.

33. The Executive Committee decided to advance \$500,000 to each of the implementing agencies to enable them to initiate their work, provided that funds are available in the Fund in addition to those needed for the establishment of the Secretariat.

Agenda item 4 (e)

34. This sub-item was postponed for consideration at the third meeting of the Committee.

IV. DATE AND VENUE OF THE THIRD MEETING OF THE EXECUTIVE COMMITTEE

35. The Executive Committee decided to hold its third meeting in Montreal from 15-19 April 1991. The sub-committee referred to in paragraph 28 above decided to meet from 18-19 February 1991 in Montreal.

V. OTHER MATTERS

36. At its meeting, held on 18 December 1990, the Executive Committee took note with appreciation of the exchange of letters between Dr. M.K. Tolba, Executive Director of UNEP, and the Government of Canada, dated 17 December 1990, constituting an interim agreement between the United Nations and Canada concerning the legal status for the Fund Secretariat.

37. The Executive Committee decided to recommend that the United Nations and the Government of Canada should continue negotiations with a view to working out detailed legal arrangements covering various aspects of the presence of the Fund Secretariat in Canada.

38. The Executive Committee decided to extend an invitation to non-governmental organizations to address the Executive Committee at its third meeting.

VI. ADOPTION OF THE REPORT

39. The meeting decided to consider its draft report at its third meeting.

VII. CLOSURE OF THE SESSION

40. Following the customary exchange of courtesies, the Chairperson declared that meeting closed on Wednesday, 19 December 1990.

ANNEX I

PROCEDURAL ARRANGEMENTS

AMONG

**THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
("WORLD BANK")**

**THE UNITED NATIONS ENVIRONMENT PROGRAMME
("UNEP")**

AND

**THE UNITED NATIONS DEVELOPMENT PROGRAMME
("UNDP")**

**FOR CO-OPERATION AND ASSISTANCE IN PROTECTING THE OZONE LAYER
IN THE CONTEXT OF THE VIENNA CONVENTION FOR THE PROTECTION
OF THE OZONE LAYER AND ITS MONTREAL PROTOCOL ON SUBSTANCES
THAT DEplete THE OZONE LAYER**

Whereas the Parties to the Montreal Protocol on Substances that deplete the Ozone Layer ("Protocol") to the Vienna Convention for the Protection of the Ozone Layer ("Parties") will establish an Interim Multilateral Fund and subsequently a Multilateral Fund as part of a financial mechanism for the purposes of providing financial and technical co-operation, including the transfer of technology, to eligible developing countries to enable them to comply with the control measures of the Protocol;

Whereas the Parties have invited the World Bank, UNEP and UNDP (singularly "Agency", collectively "Agencies") to co-operate and assist the Parties within their respective areas of expertise and to make appropriate arrangements with the Executive Committee, acting on behalf of the Parties, and among themselves for these purposes;

Whereas the Agencies will each make specific arrangements for co-operation with the Executive Committee; and

Whereas the Agencies find it desirable to establish additional procedures for co-operation with one another;

NOW THEREFORE the Agencies agree as follows:

1. Role of the Agencies

The Agencies will accept the invitation of the Parties to co-operate and assist them within the respective areas of expertise of the Agencies as follows:

- a) The United Nations Environment Programme shall be invited by the Executive Committee to co-operate and assist in political promotion of the objectives of the Protocol, as well as in research, data gathering and the clearing-house functions which are identified as follows:
 - i) Assist Parties operating under paragraph 1 of Article 5, through country specific studies and other technical co-operation, to identify their needs for co-operation;
 - ii) Facilitate technical co-operation to meet these identified needs;
 - iii) Distribute, as provided for in Article 9, information and relevant materials, and hold workshops, training sessions, and other related activities, for the benefit of Parties that are developing countries; and

- iv) Facilitate and monitor other multilateral, regional and bilateral co-operation available to Parties that are developing countries.
- b) The United Nations Development Programme shall be invited by the Executive Committee to co-operate and assist in feasibility and pre-investment studies and in other technical assistance measures;
- c) The World Bank shall be invited by the Executive Committee to co-operate and assist in administering and managing the programme to finance the agreed incremental costs.

2. Close Co-operations

Each Agency will fulfil its role as described in Paragraph 1 in close co-operation with each other Agency. In particular, each Agency will consult each other Agency before making proposals to the Parties or the Executive Committee on matters of interest to the other Agency, and will pay due regard to the views of the other Agency.

3. Programmes of Activities and Budgets

Each Agency will prepare, after consultation with each other Agency, a planned programme of activities with a budget for fulfilment of its role as set out in Paragraph 1. In order to achieve complementarity, coherence and cost effectiveness of these activities, these plans will be reviewed by the heads of the Agencies, or their representatives, in their annual meeting pursuant to paragraph 6. After the annual meeting, each Agency will submit its proposal to the Executive Committee.

4. Information

Each Agency will keep other Agency continuously and adequately informed in a timely manner to its activities covered by these arrangements as it affects the other Agency.

5. Representation of Agencies

Each Agency will designate a senior staff member and an alternate for carrying out these arrangements.

6. Meeting of Heads of Agencies

The heads of Agencies, or their representatives, will meet every year within 90 days before the annual meeting of the Parties in order to review the operation of these arrangements and further co-ordinate the work of the Agencies as necessary.

7. Amendments

These arrangements may be amended by the Agencies at any time.

8. Termination

These arrangements may be terminated by the Agencies at any time, and will be terminated with respect to any Agency upon notice by that Agency to each other Agency.

9. Effective date

These arrangements will enter into effect on the date of the latest signature below.

Dated _____ International Bank for Reconstruction and Development

By _____

Dated _____ United Nations Environment Programme

By _____

Dated _____ United Nations Development Programme

By _____

ANNEX II

DRAFT ELEMENTS FOR GUIDELINES FOR THE IMPLEMENTATION OF ACTIVITIES SUPPORTED BY THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL ON SUBSTANCES THAT DEplete THE OZONE LAYER

(proposal by the Sub-Committee)

(in accordance with paragraph 10(d) of Appendix II of Annex IV)

1. The Executive Committee invites each Party operating under paragraph 1 of Article 5 and wishing to receive support from the Multilateral Fund to develop a country programme, updated national studies and/or individual projects as appropriate to facilitate compliance with the Protocol.
2. The country programme or updated national study is expected to contain inter alia:
 - a) a review of recent production, import and use of controlled substances;
 - b) a description of the institutional framework;
 - c) a description of the policy framework, regulatory and incentive system;
 - d) a description of government and industry activities in response to the Protocol;
 - e) a statement of strategy for ongoing implementation, including identification of the need for co-operation;
 - f) an action plan for technical assistance projects and other project preparation needs and an investment programme, where necessary, consisting of project proposals or ideas for which funding will be required;
 - g) a timetable for these activities;
 - h) a budget and financial needs for the above activities.
3. In developing its country programme and/or individual projects, a Party is entitled to receive technical co-operation, other services and support from the implementing agencies within their respective areas of expertise.

4. Funds for each of the implementing agencies to cover the costs of the activities described in paragraph 3 above are approved by the Executive Committee biannually. The Executive Committee approves these funds on the basis of an annual work programme submitted by each implementing agency to the Executive Committee for consideration and approval.
5. A Party operating under paragraph 1 of Article 5 submits its country programme to the Executive Committee for its consideration and approval (in accordance with paragraph 10(g) of Appendix II of Annex IV to the Report of the Second Meeting of the Parties).
6. A country programme approved by the Executive Committee shall serve as a basis for project preparation and further co-operation between the Party and the implementing agencies. However, individual projects prepared prior to the completion of a country programme shall also qualify for funding if consistent with project eligibility criteria approved by the Executive Committee.
7. Project proposals with costs exceeding \$500,000 shall be considered and approved by the Executive Committee taking into account contributions received into the Fund account.
8. Each implementing agency is responsible for supervision of the implementation of project within its work programme. The agency shall report to the Executive Committee annually on the progress of the work programme.