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Executive Committee of
the Interim Multilateral Fund for the
Implementation of the Montreal Protocol

Fourth Meeting
Nairobi, 17-18 June 1991

**REPORT OF THE FOURTH MEETING OF THE EXECUTIVE COMMITTEE
OF THE INTERIM MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE
MONTREAL PROTOCOL**

I. INTRODUCTION

1. The Fourth Meeting of the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol was held at Nairobi on 17 and 18 June 1991. 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 1991 (UNEP/OzL.Pro/2/3).

II. ORGANIZATIONAL MATTERS

A. Opening of the Meeting

2. The meeting was opened by Mr. I. Ristimaki (Finland), Chairman of the Executive Committee. He said that while methods of financing environmental protection were still under discussion in international forums, the Executive Committee had been privileged to participate in setting up a pioneering financial mechanism for that purpose. However, fresh disquieting information about the state of the ozone layer should give it new incentive. The Fund had started up comparatively rapidly and the approval of the implementation guidelines and criteria for project selection had been a significant step. The next logical steps towards a fully operative fund were the decisions to be taken by the Committee on the specific agreements with the implementing agencies and on their work programmes. He wished to thank those who had contributed to the necessary preparatory work for those decisions.

B. Attendance

3. 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.

4. In accordance with the decision taken by the Executive Committee at its second meeting, representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the World Bank attended as observers.

C. Address by the Executive Director of UNEP

5. Dr. Tolba, Executive Director of UNEP, congratulated the Executive Committee on its work and referred to a number of matters on which he sought its guidance. With regard to filling the professional vacancies on the Fund's Secretariat, it would be unrealistic, in view of the procedures involved, to anticipate that the successful candidates could take up their posts until the early months of 1992. The Chief Officer should be authorized to employ temporary assistance meanwhile. The Committee must take a decision on the duration of contracts for such staff, bearing in mind that contracts of over one year were required for holders to be eligible for United Nations transport allowances.

6. In its capacity as Treasurer of the Fund, UNEP required advice from the Committee about the assessment of contributions in kind and whether such contributions should be regarded as bilateral contributions or whether they might constitute the entire contribution of a country to the Fund. He noted that total contributions to date of US \$12.7 million fell far short of 1991 pledges of over \$53 million. Some donor countries had legislative difficulties about making contributions without knowing in advance where their money would be used.

7. In conclusion, he stated that China would shortly announce its ratification of the Montreal Protocol, which would increase the Fund's level by \$40 million and would involve changes in the amounts contributed by each country. If India also shortly ratified the Protocol, that would require raising the level of the Fund by another US \$40 million.

D. Adoption of the Agenda

8. The meeting adopted the following agenda:
1. Opening of the meeting.
 2. Organizational matters:
 - (a) Adoption of the agenda
 - (b) Adoption of the Report of the Third Meeting of the Executive Committee.
 3. Report by Fund Secretariat:
 - (a) Secretariat activities;
 - (b) Contributions and Fund disbursements.
 4. Report on host country agreement between UNEP and the Government of Canada.

5. Implementing agencies:
 - (a) Agreements between the implementing agencies and the Executive Committee;
 - (b) Revised work programmes and related budgets.
6. Country programmes.
7. Budget for Fund operations.
8. Adoption of the report of the Executive Committee to the Third Meeting of the Parties.
9. Date and venue of the fifth meeting of the Executive Committee.
10. Other matters.
11. Adoption of the report.
12. Closure of the meeting.

E. Adoption of the Report of the Third Meeting
of the Executive Committee

9. The draft report of the third meeting of the Executive Committee was adopted with amendments which were incorporated in UNEP/OzL.Pro/ExCom/3/18/Rev.1 and its annexes.

III. SUBSTANTIVE MATTERS

Agenda item 3: Report by Fund Secretariat

(a) Secretariat activities

10. The Chief Officer reported on the activities of the Secretariat, including tasks assigned to it by the Executive Committee at its third meeting (UNEP/OzL.Pro/ExCom/4/2/Rev.1). A number of members commented on different points.

11. One member pointed out that the candidates appointed to the professional vacancies on the Secretariat should constitute a fair representation of States Parties to the Protocol.

12. Another member asked how much information from the implementing agencies was made available about the basis for costing standard items of expenditure. Mr. A.T. Brough (Assistant Executive Director of UNEP) said that the implementing agencies had discussed the matter at their meeting in Washington on 29 April 1991. They had concluded that the assumptions on which they had costed items were explicit in their work programmes and budgets and that no further information was required.

13. Two members referred to the draft brochure describing the Fund (UNEP/OzL.Pro/ExCom/4/2/Rev.1, Annex V). One expressed the hope that the brochure would be couched in language suited to a popular audience, and the other stressed the need to point out that the Fund was a unique exercise in global partnership because, for the first time, industrial and developing countries were participating as equal partners in financial decision-making.

14. The Executive Committee agreed that the Secretariat should delay action on the brochure until 15 July 1991, in order to give members an opportunity to comment on the text. The Secretariat should then proceed to arrange for the publication of the brochure, with the assistance of the UNEP Information Office.

(b) Contributions and Fund disbursements

15. A number of members of the Executive Committee commented on the status of the amounts outstanding by countries as of June 1991 against pledges. The representative of Germany said that his country would be unable to pay its contribution until the 1991 budget was adopted, which, owing to the exceptional circumstances of German unification, would not be until July. The first half of the German contribution would be paid immediately thereafter and the second half before the end of 1991. The 1992 contribution would be paid in due time.

16. The representative of the Netherlands said that his country had not received the letter asking for its contribution, which was required before payment could be made.

17. The representative of Japan said that the disbursement procedure for payment in one instalment was under way.

18. The representative of the Soviet Union said that his country had made proposals about the assessment of its contribution in kind. It had held a further consultation with the implementing agencies about procedures for using its contribution.

19. Two members of the Executive Committee appealed to those countries that had not paid their contributions to do so before the end of 1991. One of them suggested that such countries should inform the Secretariat of their position, so that it could make a report to the fifth meeting of the Committee.

Agenda item 4: Report on host country agreement between UNEP and the Government of Canada

20. The Chief Officer, introducing the report (UNEP/OzL.Pro/ExCom/4/3), said that two draft agreements had been sent for comment to the Government of Canada, one being an agreement between that Government and the United Nations, and the other an agreement between it and the States Parties to the Montreal Protocol. Canada's comments had now been received and had been sent for review to the Office for Legal Affairs at United Nations Headquarters.

21. The Committee took note of the information.

Agenda item 5: Implementing agencies

22. In its consideration of this item, the Executive Committee had before it the following documents:

23. For sub-item (a): Draft agreements between the International Bank for Reconstruction and Development (World Bank)/the United Nations Development Programme/the United Nations Environment Programme and the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol (UNEP/OzL.Pro/ExCom/4/4/Rev.1, 5/Rev.1 and 6/Rev.1, respectively);

24. For sub-item (b): Revised work programmes and related budgets for the International Bank for Reconstruction and Development (World Bank)/the United Nations Development Programme/the United Nations Environment Programme (UNEP/OzL.Pro/ExCom/4/7, 4/8 and Add.1, 4/9/Rev.1, respectively).

(a) Agreements between the implementing agencies and the Executive Committee

25. The Chief Officer, introducing the draft agreements (UNEP/OzL.Pro/ExCom/4/4/Rev.1, 4/5/Rev.1 and 4/6/Rev.1), said that the open-ended group established at the third meeting of the Executive Committee had identified common elements to assist the implementing agencies in revising their draft agreements. The agencies had held a final meeting on 14 June in an endeavour to make their texts as uniform as possible. One essential point of difference was that the two United Nations Programmes included an arbitration clause in their agreements, but such a clause was not possible for the World Bank. However, the differences between the original and the revised drafts were very minor.

26. Two members of the Committee asked a general question about the status under the agreement of the individual countries on whose behalf projects were executed.

27. The representative of UNDP said that paragraphs in his text relating to matters such as the disposal of equipment made it clear that UNDP would operate in its traditional way in relation to the country concerned.

28. Another member of the Executive Committee pointed out that all three documents referred to contribution payments and made no provision for contributions in kind. Unless that was done, his country might be compelled to act independently of the agreements.

29. Another member said that in both the preamble and in operative paragraph 7 of the World Bank agreement, reference was made to Resolution No.91-5 on the Global Environment Facility, of which his country was not a member, although it was a member of the World Bank. He suggested that the World Bank should seriously reconsider the inclusion of that reference, which was not relevant for the purposes of the agreement under discussion.

30. In a discussion on the structure of all three agreements, it was agreed that a greater degree of commonality had been achieved than in the documents submitted at the third meeting of the Executive Committee. Nevertheless, some variation in definitions and terminology remained.

31. The representative of the Union of Soviet Socialist Republics stated that a text had been drafted for the inclusion of contributions in kind but the World Bank had difficulty in accepting such contributions. If the Committee insisted on too great a degree of standardization among the agreements the consequence would be the exclusion of such contributions and a serious loss of assistance to developing countries.

32. The Chairman pointed out that there was a need to approve the agreements without delay, as the interim practice of authorizing expenditure on trust could not be continued further. The credibility of the Executive Committee to perform its functions would also be at stake.

33. While several members were in broad agreement with the Chairman that the Committee must approve all the agreements at its present meeting (although that did not exclude some negotiated modifications), other members took the view that greater standardization must first be achieved.

34. The Assistant Executive Director of UNEP suggested that, insofar as the agreement with UNEP dealt with its role as Treasurer of the Fund, there was merit in consolidating the relevant provisions in a separate document from the agreement on UNEP as implementing agency. The representatives of Mexico and the Netherlands supported that suggestion.

35. On the proposals of the Chairman, the Committee set up an open-ended group under the chairmanship of Mr. Slater (Canada), which the representatives of the three implementing agencies were invited to join, with the object of achieving acceptable results which would permit the approval of all three agreements.

36. Mr. Slater reported that the group, which had attracted a wide membership, had agreed on unanimous recommendations with regard to amendments to the texts of the draft agreements between the Executive Committee and UNEP, UNDP and the World Bank as submitted to the present meeting. The group pointed out that, although their texts followed the outline elaborated at the third meeting of the Executive Committee, they also reflected different

mandates, charters, rules and regulations. In the case of the World Bank, the procedure to resolve disputes was implicit: it would involve negotiation followed, if necessary, by potential amendment of the agreement and, in the extreme, termination of the agreement.

37. The group also suggested that the Executive Committee should propose to the meeting of the Parties that the implementing agencies be invited to participate in their meetings for purposes of review and consultation as appropriate.

38. The Committee expressed its warm appreciation to the Chairman and members of the Group for the speed and thoroughness of their labours, and formally adopted the three draft agreements in the form which they had proposed (UNEP/OzL.Pro/ExCom/4/7, 8 and 9, Rev.3 in each case).

39. In response to a suggestion by the representative of Egypt, the Committee decided to place on the agenda of a future meeting in some 12 months the question of possible amendment in the light of experience to the provisions in the agreements for settlement of disputes.

(b) Revised work programmes and related budgets

40. Opening the discussion of sub-item 5(b), the Director of the Industry and Environment Office (IEO) of UNEP introduced the revised work programme and related budget proposed for implementation by UNEP in 1991.

41. The representative of UNDP explained that the addendum to the UNDP work programme distributed at the meeting updated the proposals already submitted to the Executive Committee and highlighted the changes. He observed that the work programme now proposed differed greatly from that submitted to the Committee at its third meeting; it was both less optimistic and more country-specific.

42. The representative of the World Bank stressed that the latest revision of the Bank work programme was still subject to change; the effects of hostilities in the Gulf were still being digested. The emphasis was on co-operation with national governments and co-ordination with the other implementing agencies. The Bank attached importance to linking activities carried out with its own funds and those financed by the Interim Multilateral Fund.

43. The representative of Egypt raised the question of methodology for the evaluation by the Executive Committee of what was achieved by all the work programmes in relation to the goal of phasing out CFC pollution. Comparisons between proposed and actual expenditure etc. should be only a first step in such an exercise.

44. There was general agreement on the importance of that question even if some specific answers could be developed only progressively as activities were undertaken and experience was gained.

45. The point was made that Governments should have a role in the evaluation by the Committee. The representative of UNDP drew attention to the valuable feedback obtained from its Tripartite Project Reviews (TPR) at the completion of projects. The representative of USSR stated that he would welcome the opportunity to explain some specific proposals. The representative of Egypt thanked his colleagues for their statements and stated that he would prepare a paper on the subject to stimulate further discussion.

46. The Executive Committee decided to place evaluation methodology on the agenda of its fifth meeting.

47. In the discussion of the revised UNEP work programme, there was widespread appreciation of the changes introduced. It was suggested that in the interests of a greater commonality among the work programmes of implementing agencies, the UNEP presentation could be used to a large extent as a model. It transpired that some delegations had made a preliminary investigation into the extent to which the individual revised work programmes fitted into the format submitted by the Secretariat as Annex I to its report (UNEP/OzL.Pro/ExCom/4/2/Rev.1). Those delegations were requested to send their findings to the Fund Secretariat with a view to the preparation of a document for the attention of the Executive Committee at its fifth meeting.

48. Some detailed comment was offered by delegates on specific activities. The Executive Committee therefore decided:

(a) To approve the revised UNEP work programme with the proviso that account should be taken of the views expressed by the Committee, both in the course of its implementation and in drafting proposals for 1992;

(b) To approve the related budget of \$1,484,000 in direct costs of activities and 13 per cent thereof as allowance for programme support, for a total of \$1,676,920, including \$500,000 already allocated at its second meeting;

(c) To request UNEP to produce a further revision of document UNEP/OzL.Pro/ExCom/4/9/Rev.1 containing the correct budgetary figures and using the concepts defined in the implementation guidelines approved at its third meeting (UNEP/OzL.Pro/ExCom/3/18/Rev.1, Annex III).

49. In the discussion of the revised UNDP work programme, some queries on points of detail were raised to which the representative of UNDP replied. The Executive Committee thereupon decided:

(a) To approve the revised UNDP work programme with the same proviso as stipulated for UNEP;

(b) To approve the related budget of \$1,261,800, including \$750,000 already allocated at its second and third meetings;

(c) To request UNDP to produce a consolidation of documents UNEP/OzL.Pro/ExCom/4/8 and Add.1 which incorporated the concepts defined in the implementation guidelines approved at its third meeting (UNEP/OzL.Pro/ExCom/3/18/Rev.1, Annex III).

50. The Executive Committee stated its expectation that UNDP, having included many activities of reconnaissance in the 1991 work programme, would propose mainly action-oriented activities in the draft work programme for 1992.

51. Many members of the Executive Committee spoke on the World Bank work programme and related budget (UNEP/OzL.Pro/ExCom/4/7). One member said that there was too much emphasis on studies and too little on projects, for which the time frame was too long. Two other members, concurring, cited delays in funding of national projects as cases in point and requested that some provision should be made for project implementation in 1991. One member asked why money for low-cost projects which fulfilled the basic aim of the Fund, namely the elimination of CFCs, should not be disbursed immediately. Another member expressed concern that at the end of 1991, a considerable amount would remain unspent, unless funds were put to use more rapidly.

52. Two members sought clarification about the support costs for the World Bank work programme which appeared to require US \$2.3 million in support costs in order to general US \$1.5 million worth of projects. Another member referred to duplication between the World Bank and other agencies in respect of studies. HE asked whether countries should apply to the Secretariat of the Fund or directly to the World Bank and what the deadlines were for presenting projects to the former.

53. Mr. Piddington, the representative of the World Bank said that the implementing agencies were continuing to improve their co-ordination and there was no overlap between them at the field level; the World Bank always made full use of country studies already available. He would be glad to have an opportunity at a future meeting of the Executive Committee to explain the continuum of the World Bank project cycle, in which the preparation of projects proceeded in parallel with investment, so that in fact the \$2.3 million in support costs mentioned by one member of the Committee would probably generate within a few months as investment exceeding \$30 million. The World Bank and the other implementing agencies would find it useful if the Executive Committee could confirm that work on specific national projects could go forward before it had approved the relevant country programme as a whole. It was his understanding that a country could approach the World Bank by means of a formal recommendation by the Fund Secretariat or other intermediary or of a formal application by the Government. He concluded by providing information about the progress made by the Bank on specific country projects.

54. A member of the Executive Committee enquired whether approved by the Committee of the budget related to the Bank's work programme would cover funding for implementation of projects proposed, to which reference had been made during the debate, or whether an additional allocation would be required.

55. The representative of the World Bank confirmed that the work programme covered preparation and appraisal procedures only. It was not possible for the Bank to make a commitment to implement a project until the necessary funds were available in its account.

56. The representative of the World Bank gave an accounting of the Bank's use of the funds allocated to it since December 1990. The first allocation of \$500,000 had been used to prepare the two work programmes and country programmes for Egypt, Jordan, Malaysia, Thailand, Tunisia and Yugoslavia. Other country programmes were also under way. The Bank had supplemented the allocation with its own funds in order to complete the task. Out of the second allocation of \$1 million, in April 1991, one half had been used to undertake pre-investment studies in Thailand for an \$8-million investment project which would be ready for appraisal within six months. A further \$36,000 had been devoted to creating a model country programme in Egypt at a total cost of \$200,000.

57. The Executive Committee decided to establish an open-ended working group under the chairmanship of Mrs. Claussen (United States of America) to discuss the matters raised during the debate with the representative of the World Bank.

58. The Chairman of the Group reported that it had been successful in reaching an agreement which provided additional funds for the implementation of some projects in the year 1991 and for engaging in a dialogue with newly ratifying Paragraph 1 Article 5 countries, particularly China. The Executive Committee, endorsing the draft proposal which she submitted, then decided:

(a) To approve the revised work programme for 1991 as presented by the World Bank with the proviso that the views expressed by the Committee would be taken into account by the World Bank in the implementation of its programmes;

(b) To approve the related budget of \$5 million, including \$1.5 million already allocated at its second and third meetings, noting that \$2 million of the additional cost was for country programmes, project preparation and opening up a dialogue with Article 5 countries that had recently ratified the Montreal Protocol, and \$1.5 million for investment projects of less than \$0.5 million in Mexico, Tunisia, Egypt, Malaysia, Thailand, Brazil, Venezuela and the Philippines;

(c) To consider any further additions to the work programme at its next meeting.

Agenda item 6: Country programmes

59. The Chief Officer said that proposals from Egypt and Venezuela had been received too late for the Secretariat to comment upon them. He recalled that it had been agreed at the Committee's third meeting (UNEP/OzL.Pro/ExCom/3/18/Rev.1, Annex III) that project proposals exceeding US \$500,000 are subject to consideration and approval by the Executive Committee. Such project proposals should be submitted to the Secretariat at least 8 weeks before the date of the meeting of the Executive Committee. On the other hand, project proposals under US \$500,000 are subject to approval by the implementing agencies. Therefore, project proposals of less than US \$500,000 may be submitted directly to the implementing agencies.

60. The Executive Committee took note of the information provided by the Chief Officer. The Committee decided to approve, as an interim measure, the use of the country programme cover sheet proposed by the Secretary (UNEP/OzL.Pro/ExCom/4/2/Rev.1/Annex II) in preparing documents for submission to the next meeting.

61. The Committee approved a deadline of eight weeks before the date of a meeting for the submission of proposals for funding, pending more precise instructions.

62. The Committee requested the Secretariat to prepare a model cover sheet for project proposals.

Agenda item 7: Budget for Fund operations

63. The Chief Officer, introducing document UNEP/OzL.Pro/ExCom/4/11, recalled that, at its third meeting, the Committee had established a Budget and Finance Sub-Committee to make recommendations on the three-year budget for Fund Operations contained in document UNEP/OzL.Pro/ExCom/3/18/Rev.1, Annex V. The Secretariat had added a breakdown of the expenditures of the implementing agencies as at 31 May 1991 (UNEP/OzL.Pro/ExCom/4/11, Annex II).

64. It was agreed that the allocations to the implementing agencies shown in UNEP/OzL.Pro/ExCom/4/11, Annex I, should be updated to 18 June 1991 and the amounts approved for the work programmes of the three implementing agencies inserted. Furthermore, "Other agencies" should be added to the list of agencies in that annex, with the amount left blank.

65. Document UNEP/OzL.Pro/ExCom/4/11, as amended, was approved and distributed as UNEP/OzL.Pro/ExCom/4/11/Rev.1

66. The two annexes to document UNEP/OzL.Pro/ExCom/4/11/Rev.1 appear in Annex I to the present report.

Agenda item 8: Adoption of the report of the Executive Committee to the Third Meeting of the Parties

67. The Chairman said that the draft prepared by the Secretariat was contained in document UNEP/OzL.Pro/ExCom/4/12/Rev.1. Owing to the fact that it had to be distributed in advance, it had been circulated as a draft report.

68. The Committee adopted its report to the third meeting of the Parties, as amended. The text appears in Annex II to this report.

69. In addition, the Committee approved draft decisions relating to the budget of the Fund Secretariat and to its Rules of Procedure for submission to the Third Meeting of the Parties. The texts of the draft decisions appear in Annex III.

Agenda item 9: Date and Venue of the Fifth Meeting of the Executive Committee

70. Provision for a fifth meeting of the Executive Committee having been made in the budget for 1991, it was agreed that the fifth meeting of the Executive Committee be held on 18-22 November at Montreal.

71. The Committee decided that the following items be included in the provisional agenda of its fifth meeting:

- (a) Use of contributions in kind;
- (b) Draft work programmes for 1992-1993 of the implementing agencies;
- (c) Evaluation of the impact of Fund activities on phase-out of CFCs;
- (d) Procedures for presentation of country programmes and project proposals to the Executive Committee;
- (e) Acceptance and use of bilateral and regional contributions.

72. The Committee encouraged its members to submit material for the documents which the Secretariat would prepare, as appropriate. It anticipated that the Secretariat would continue to expand its own input to such documents.

Agenda item 10: Other Matters

73. The question was raised of the countries from which the professional staff of the Secretariat could be recruited. The Executive Committee agreed that they should include all members of the United Nations, with special attention to candidates from Montreal Protocol Parties.

Agenda item 11: Adoption of the Report

74. The Committee adopted its report at its fifth meeting.

Agenda item 12: Closure of the Meeting

75. Following the customary exchange of courtesies, the Chairman declared the meeting closed on Tuesday, 18 June 1991.

Annex I
BUDGET FOR FUND OPERATIONS 1991-1993

A. Summary of Income and Planned Expenditure
(Millions of US dollars)

	<u>1991</u>	<u>1992</u>	<u>1993</u>
Income	53.33	53.33	53.33
Planned expenditures	53.33	53.33	53.33

B. Allocations, as of 18 June 1991
(US dollars)

Implementing Agency	
World Bank	5 000 000
UNDP	1 261 800
UNEP	1 676 920
Other agencies	-
	<hr/>
Total	<u>7 938 720</u>

C. Reported Expenditure by Implementing Agencies*
(Thousands of US Dollars)

	<u>World Bank</u>	<u>UNDP</u>	<u>UNEP</u>
Agency Personnel			
Salaries	90.0	41.0	-
Travel	-	14.0	-
Consultants			
Fees	242.5	43.0	-
Travel	167.5	18.0	-
Miscellaneous	-	<u>4.0</u>	-
	<u>500.0</u>	<u>120.0</u>	<u>-</u>

* covers the period November 1990 - April 1991 for World Bank,
November 1990 - June 1991 for UNDP.

Annex II

REPORT OF THE EXECUTIVE COMMITTEE OF THE INTERIM MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL TO THE THIRD MEETING OF THE PARTIES

I. INTRODUCTION

1. At their Second Meeting, the Parties to the Montreal Protocol established an Executive Committee 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 under the Financial Mechanism established in accordance with Decision II/8 of the Second Meeting of the Parties.
2. The terms of reference for the interim Multilateral Fund and the terms of the reference for the Executive Committee are set out in Appendices IV and II, respectively, of Annex IV to the report of the Second Meeting of the Parties (UNEP/OzL.Pro.2/3).
3. In accordance with the terms of reference of the Executive Committee, the Committee shall report annually to the Meeting of the Parties on the activities exercised under its functions.
4. The Executive Committee held four meetings during the period under review. The first meeting was held from 19-21 September 1990 at Montreal; the second and third meetings took place 17-19 December 1991 and 15-19 April 1991, respectively, at Montreal. The fourth meeting was held at Nairobi from 17-18 June 1991. The reports of those meetings are contained in documents UNEP/OzL.Pro/ExCom/1/2, UNEP/OzL.Pro/ExCom/2/5/Rev.1, UNEP/OzL.Pro/ExCom/3/18/Rev.1 and UNEP/OzL.Pro/ExCom/4/13.

II. PARTICIPATION

5. For the current three-year period the members of the Executive Committee are the following:
 - a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Canada, Finland, Germany, Japan, Netherlands, Union of Soviet Socialist Republics and the United States of America.
 - b) Parties operating under paragraph 1 of Article 5 of the Protocol: Brazil, Egypt, Ghana, Jordan, Malaysia, Mexico and Venezuela.
6. Finland and Mexico were Chairman and Vice-Chairman, respectively, during the first year of the Executive Committee.
7. The Executive Committee, at its second meeting, decided that representatives of the

Implementing Agencies - United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP) and the World Bank - should be invited to attend the meetings of the Executive Committee as observers. UNEP also attends in its capacity as the agency designated by the Parties as Secretariat of the Vienna Convention and the Montreal Protocol, in accordance with Rule 27 of the Rules of Procedure for Meetings of the Parties to the Montreal Protocol. The Committee also decided that a representative of the President of the Bureau of the Meeting of the Parties to the Montreal Protocol should be invited to attend for the purpose of coordination. The Executive Committee further decided that States not members of the Executive Committee, as well as any body or agency, whether national or international, governmental of non governmental, qualified in fields relating to the protection of the ozone layer, might 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.

8. Furthermore, it was decided that the Executive Committee might arrange, as appropriate and in connection with its meetings, for a special opportunity to be given to non governmental organizations (NGOs) to address the Committee and the Committee would, when appropriate, give a briefing after its meetings to the press and NGOs.

9. At its second meeting, the Committee decided to extend an invitation to NGOs to address the Committee at its third meeting. Representatives of five NGOs accepted the Committee's invitation and made statements in a special session of its third meeting.

III. SECRETARIAT

10. At its first meeting, the Executive Committee decided that the Fund Secretariat, co-located with UNEP, should have Montreal as its venue. It accepted the offer of the Government of Canada to cover any additional costs connected with locating and operating the Secretariat in Canada relative to costs associated with UNEP Headquarters. The headquarters agreement with the Canadian authorities is currently being negotiated by UNEP.

11. At its second meeting, the Executive Committee nominated Mr. Omar El-Arini for appointment by the Executive Director of UNEP as Chief Officer. Mr. El-Arini took up his post on 10 February 1991.

12. An Administrative Officer was seconded to the Secretariat by UNEP for the period 10 February to 1 July 1991. A senior secretary to the Chief Officer was seconded from ICAO for a two-year period. It is expected that the recruitment of a Deputy Chief Officer, Programme Officer, Administrative Assistant, and secretaries to the Deputy Chief Officer and Programme Officer will be completed by 1 July 1991. It is expected that the remaining posts in the Secretariat will be filled by December 1991/January 1992.

IV. RULES OF PROCEDURE

13. At its first meeting, the Executive Committee decided that the Rules of Procedure for Meetings of the Parties to the Montreal Protocol 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. At its third meeting the Executive Committee approved Rules of Procedure for Meetings of the Executive Committee on a provisional basis for submission to the Third Meeting of the Parties for endorsement (UNEP/OzL.Pro/ExCom/3/6/Rev.4).

V. FINANCIAL QUESTIONS

V.1. Establishment of the Interim Multilateral Fund and Contributions

14. At its first meeting, the Executive Committee requested the Executive Director of UNEP to secure the approval of the United Nations Secretary-General to the establishment of 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 by UNEP receives contributions to the Fund and makes transfers from it according to directions provided by the Executive Committee. UNEP informed the Executive Committee that no additional charge would be levied 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.

15. Letters calling for contributions to the Interim Multilateral Fund by the Parties to the Protocol were sent out on 29 October 1990. As at 11 June 1991, contributions received amounted to US \$12,697,609. One country has expressed the intention of making its contribution in kind.

16. At the Second Meeting of the Executive Committee, the UNEP Secretariat informed the Committee of the changes in updating the scale of contributions, referring to two additional Parties to the Protocol not operating under paragraph 1 of Article 5, namely Poland and Czechoslovakia, and to the unification of Germany. The Executive Committee agreed that Germany's future contribution should be based on the forty-fifth General Assembly's scale of assessment and that the matter should be taken up at the next meeting of the Parties.

V.2. Budgets

17. At its third meeting, the Executive Committee decided that the Fund budget should be in two separate parts: the administrative budget, consisting of the budget of the Fund Secretariat, and the budget for operational activities.

18. The Executive Committee further decided to establish an open-ended Budget and Finance Sub-Committee, chaired by the Vice-Chairman of the Executive Committee, and to request a representative of UNEP, as the treasurer of the Fund, to attend meetings of the Executive Committee at which budgets are discussed.

V.2.1 Revised Budget for the Fund Secretariat for 1991

19. The Executive Committee adopted the budget for the Fund Secretariat for 1991 (UNEP/OzL.Pro/ExCom/3/5/Rev.2) at its third meeting for submission to the Third Meeting of the Parties. The Chief Officer was authorized to switch expenditure within each budget component (2-figure code), but if he found it necessary to switch funds between components he could only do so up to a limit of 20 per cent of the component budget. Any larger amounts would require the approval of the Executive Committee.

20. The Executive Committee decided, at its third meeting, that UNEP transfer to the Fund Secretariat all funds approved in the budget of the Fund Secretariat, with the exception of personnel costs, in a single budget action on a quarterly basis; and that the administrative support charge in respect of the budget of the Fund Secretariat should be limited to the above-stated personnel costs. UNEP should also be reimbursed from the budget of the Fund Secretariat for any justifiable support costs incurred in other operations covered by that budget, in accordance with Decision II/8, paragraph 3 (c) of the Second Meeting of the Parties. The view was expressed that there were no known rules that allowed one international secretariat to ask another for support costs for its personnel and that the matter should be considered at the Third Meeting of the Parties.

21. The Executive Committee took note of the statement by the Assistant Executive Director of UNEP that the administrative support charge would be calculated only on the expenses incurred in covering the back-up services of UNEP and that UNEP would recycle any amount remaining over the actual costs. The Committee also took note of the intention of UNEP to ask for the guidance of the United Nations Controller to charge less than the normal 13 per cent of the administrative services rendered.

V.2.2 Three-year Budget for the Fund Secretariat

22. The three-year budget for the Fund Secretariat (UNEP/OzL.Pro/ExCom/3/15/Rev.2) was considered by the Third Meeting of the Executive Committee. It agreed that the budgets for 1992 and 1993 could not be formulated with precision at that stage and requested the Chief Officer to present a revised budget for each year at the meeting of the Committee immediately preceding the calendar year in question.

V.2.3 Budget for Fund Operations

23. The Committee at its fourth meeting adopted the three-year budget for Fund operations as included in UNEP/OzL.Pro/ExCom/4/11/Rev.1.

24. At its second meeting the Executive Committee decided to advance \$500,000 to each of the Implementing Agencies to enable them to initiate their work. At its third meeting, the Executive Committee decided to allocate additional amounts of \$1 million to the World Bank and \$250,000 to UNDP provided that those amounts were available in the Fund.

V.3. Criteria for Consideration of Bilateral and Regional Contributions to the Fund

25. At the Third Meeting of the Executive Committee the Secretariat was asked to prepare a document on the criteria and procedure for bilateral and regional contributions for submission to the Fifth Meeting of the Executive Committee.

VI. IMPLEMENTATION GUIDELINES AND CRITERIA FOR PROJECT SELECTION

26. At its second meeting, the Executive Committee decided to establish a sub-committee chaired by Ghana to prepare implementation guidelines and criteria for project selection. At its third meeting the Executive Committee approved the guidelines and criteria (UNEP/OzL.Pro/ExCom/3/7/Rev.1) on the understanding that the document would be subject to further development after one year in the light of the experience gained.

VII. COUNTRY PROGRAMMES

27. According to Implementation Guidelines and Criteria for Project Selection approved by the Executive Committee, the Committee shall invite each party operating under paragraph 1 of Article 5 and wishing to receive support from the Multilateral Fund to develop a country programme and projects in accordance with paragraph 10 (g) of the terms of reference of the Executive Committee. 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 the project eligibility criteria. Updated country studies containing the elements requisite for a country programme shall constitute a country programme.

28. Two proposals from Egypt and Thailand were submitted to the Third Meeting of the Executive Committee. Since those proposals were only submitted shortly before the Executive Committee meeting, members of the Committee did not consider that they had had sufficient time to study them in detail and decided to defer the consideration of country programmes to the Fourth Meeting of the Executive Committee.

VIII. IMPLEMENTATION OF THE FUND

29. At its first meeting, the Executive Committee invited 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. The Executive Committee furthermore invited the Implementing Agencies to develop an inter-agency agreement and specific agreements with the Executive Committee acting on behalf of the Parties.

30. An agreement regarding procedural arrangements among the Implementing Agencies was signed by the World Bank, UNEP and UNDP on 14 November 1990 and a revised agreement on 12 March 1991. With regard to specific agreements between the Executive Committee and the Implementing Agencies, the Chief Officer was requested to submit a draft for a standardized form of agreement to the Fourth Meeting of the Executive Committee.

31. The Committee at its fourth meeting approved specific draft agreements between itself and the World Bank, UNEP and UNEP: documents UNEP/OzL.Pro/ExCom/4/4/Rev.3, UNEP/OzL.Pro/ExCom/4/5/Rev.3 and UNEP/OzL.Pro/ExCom/4/6/Rev.3.

32. Invitations to the African Development Bank, the Asian Development Bank, the Arab Bank for Economic Development in Africa, the European Investment Bank, the Inter-American Development Bank and the United Nations Industrial Development Organization (UNIDO) to co-operate with and assist the Executive Committee in carrying out its functions were sent on 1 November 1990. By the Third Meeting of the Executive Committee, replies had been received from the Asian Development Bank, the Inter-American Development Bank and UNIDO. The Chief Officer was requested to pursue the matter further.

33. It was agreed by the Executive Committee at its third meeting that regional and national agencies were in principle not excluded from being considered as implementing agencies provided that they were invited to co-operate with the Committee and were considered by it to have appropriate expertise.

34. The draft work programmes submitted by UNEP, UNDP and the World Bank for 1991 and the related budgets were approved by the Executive Committee at its fourth meeting. The budgetary totals were:

- UNEP: \$1,676,920, including \$500,00 already allocated at the second meeting of the Executive Committee;
- UNDP: \$1,261,800, including \$750,000 already allocated at the second and third meetings of the Executive Committee;
- World Bank: \$5,000,000, including the \$1,500,000 allocated at the second and third meetings of the Executive Committee.

Annex III

DRAFT DECISIONS SUBMITTED FOR APPROVAL

BY THE THIRD MEETING OF THE PARTIES

RELATED TO THE INTERIM MULTILATERAL FUND

A. Budget for the Fund Secretariat

Decision II/8A adopted by the Second Meeting of the Parties to the Montreal Protocol calls for the Executive Committee to present to the Third Meeting of the Parties a revised budget for the Fund Secretariat in the light of the experience gained during implementation.

"To adopt the Revised Budget for the Fund Secretariat contained in Annex I".

B. RULES OF PROCEDURE OF THE EXECUTIVE COMMITTEE

Appendix II, paragraph 9, to decision II/8A adopted by the Second Meeting of the Parties calls for the Parties at their next meeting to endorse the rules of procedure adopted by the Executive Committee on a provisional basis.

"to endorse the rules of procedure as appearing in Annex II"
(UNEP/OzL.Pro/ExCom/3/18/Rev.1, Annex II).