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

Sixth Meeting
Montreal, 27-28 February 1992

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

I. INTRODUCTION

1. The Sixth Meeting of the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol was held at Montreal on 27 and 28 February 1992. 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. The Meeting was opened by Mr. J. Mateos (Mexico), Chairman of the Executive Committee, who said that recent scientific information on the ozone layer underlined the imperative need to accelerate implementation of the Montreal Protocol and emphasized that any decisions that might be taken in that connection by the forthcoming Meeting of the Parties would affect the work of the Executive Committee.

B. Attendance

3. The meeting was attended by representatives of the following countries, 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, Russian Federation and United States of America;
- (b) Parties operating under paragraph 1 of Article 5 of the Protocol: Egypt, Ghana, Jordan, Malaysia, Mexico, Sri Lanka 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.

5. Pursuant to the decision taken by the Executive Committee at its Second Meeting, the President of the Bureau of the Meeting of the Parties to the Montreal Protocol also attended as an observer.

6. Representatives of Friends of the Earth were also present.

7. The Executive Committee took note of a letter addressed to the Chairman by the Consul General of the Russian Federation in Montreal which transmitted a note of the Ministry of Foreign Affairs of the Russian Federation to the effect that the persons representing the Union of Soviet Socialist Republics on the Executive Committee were empowered to represent the Russian Federation in the organs of the Fund. The Committee decided to transmit the communication to the Meeting of the Parties and agreed that the Russian Federation should provisionally participate as a member of the Executive Committee while awaiting the decision of the Parties.

C. Adoption of the Agenda

8. The meeting adopted the following agenda:
1. Opening of the Meeting.
 2. Adoption of the agenda.
 3. Report by the Fund Secretariat:
 - (a) Secretariat activities;
 - (b) Contributions and Fund disbursements.
 4. Implementing agencies:
 - (a) Progress reports under the 1991 Work Programmes;
 - (b) Consolidated Work Programmes of:
 - (i) United Nations Development Programme
 - (ii) United Nations Environment Programme
 - (iii) World Bank
 5. Country Programmes:
 - (a) Malaysia;
 - (b) Mexico;
 - (c) Ecuador.
 6. Draft guidelines for the presentation of projects.

7. Project proposals:
 - Malaysia;
 - Mexico;
 - Egypt;
 - China.
8. Issues related to the Sixth Meeting of the Open-Ended Working Group of the Parties to the Montreal Protocol.
9. Date and venue of the Seventh Meeting of the Executive Committee.
10. Other matters.
11. Closure of the meeting.

III. SUBSTANTIVE MATTERS

Agenda item 3: Report by the Fund Secretariat:

- (a) Secretariat activities
- (b) Contributions and Fund disbursements

9. The Chief Officer introduced the Report by the Fund Secretariat (UNEP/OzL.Pro/ExCom/6/2).

10. The representative of UNEP reported that the balance in the Fund amounted to US\$ 17,875,000. He noted with regret that only half of the contributions pledged had been paid and, in the light of the funds available, the Executive Committee would have to decide which of the programmes before it could be implemented immediately and which would have to await implementation.

11. Several members expressed concern that almost one half of the countries that had pledged contributions had failed to fulfil their commitments and they proposed that the Chairman should write to them urging them to pay their contributions. One member expressed the view that it would be an encouragement to countries to pay their contributions if the Interim Fund could be seen to be making a concrete contribution to diminution of ODSs. A number of members emphasized that close attention would be paid to the efficacy of the Fund's operations since it could be used as a model for any future financial mechanisms.

12. One member requested that documentation be sent to members of the Executive Committee well in advance of meetings.

13. The representative of the Russian Federation said that consultations with the Secretariat on making contributions in kind were continuing. The contribution attributed to the Union of Soviet Socialist Republics would, in any event, have to be readjusted following the disintegration of the Soviet Union and the formation of new independent states. He drew attention to the enormous difficulties facing the countries that formerly composed the Union of Soviet Socialist Republics and proposed that a new category of countries with transitional economies should be established.

14. The Executive Committee took note with appreciation of the Report of the Fund Secretariat and appealed to those countries that had not yet fulfilled their financial commitments to do so as soon as possible. It requested the Chairman of the Executive Committee of the Interim Multilateral Fund to write directly to the countries concerned. The Committee requested the Secretariat to ensure that documents were sent to members well in advance of meetings. It considered that the question of establishing a category for countries with transitional economies was a matter that required a decision by the Meeting of the Parties.

Agenda item 4: Implementing agencies:

(a) Progress reports

15. The representative of UNDP introduced the Programme's progress report (UNEP/OzL.Pro/ExCom/6/3/Add.1).

16. The representative of the World Bank introduced the Bank's progress report annexed to document UNEP/OzL.Pro/ExCom/6/3.

17. The representative of UNEP introduced the progress report annexed to document UNEP/OzL.Pro/ExCom/6/3 and the report on UNEP workshops (UNEP/OzL.Pro/ExCom/6/Inf.3).

18. Several members stressed the need to accelerate procedures for approval of projects in view of the very serious situation regarding the ozone layer. One member pointed out that not only did the implementing agencies need to accelerate procedures, but governments should also ensure that their channels of communication were quite clear.

19. One member drew attention to the high cost of substitutes for ODSs and the need to ensure that new systems were environmentally safe. Another member expressed disappointment that, to date, activities had not resulted in the reduction of ODSs and underlined the importance of implementing projects that had an immediate impact on the diminution of ODSs, in parallel with preparation of country programmes. One member emphasized the vital importance of

information that would convince industries of the need for change and would propose alternative technologies.

20. The Executive Committee took note with appreciation of the efforts made by the implementing agencies, but drew attention to the need to implement projects more rapidly so that there would be an immediate effect on the phasing out of ODSs. It considered that, while studies were necessary, concrete action was now required.

(b) Consolidated work programmes of:

- (i) United Nations Development Programme;
- (ii) United Nations Environment Programme;
- (iii) World Bank

21. The Chief Officer introduced the Consolidated Work Programmes (UNEP/OzL.Pro/ExCom/6/3) and explained the background to the preparation of the document. He drew attention to the document's format in the form of an Overview, a series of detailed tables and Country Fact Sheets, prepared by the Fund's Secretariat, to which were annexed the work programmes of the implementing agencies.

22. The representatives of the implementing agencies introduced their respective work programmes contained in documents UNEP/OzL.Pro/ExCom/6/3, Add.1, Corrs. 1, 2 and 3.

23. In reply to questions raised, the representative of the World Bank stated that the agreement reached with the Executive Committee regarding administrative costs was that reasonable costs could be charged and they would naturally be higher during the initial years of a programme. He also stated that interest earned on funds held was put towards the cost of implementing projects.

24. The Executive Committee, after having noted with satisfaction the presentation of a consolidated work programme and emphasized the need to accelerate implementation, adopted the work programmes of the implementing agencies as presented.

25. The Executive Committee further decided to allocate US\$ 2,754,395 to UNDP, \$ 1,621,000 to UNEP and \$ 1,150,000 to the World Bank.

Agenda item 5: Country programmes:

- (a) Malaysia
- (b) Mexico
- (c) Ecuador

26. The representative of Malaysia introduced his country's country programme (UNEP/OzL.Pro/ExCom/6/4).
27. The Executive Committee approved Malaysia's country programme and noted that since most of the project proposals identified by the Government of Malaysia exceeded US\$ 500,000, individual project documentation would have to be submitted to the Executive Committee for consideration and approval.
28. The representative of Mexico introduced his country's country programme (UNEP/OzL.Pro/ExCom/6/5).
29. The Executive Committee approved Mexico's country programme and noted that since most of the project proposals identified by the Government of Mexico exceeded US\$ 500,000, individual project documentation would have to be submitted to the Executive Committee for consideration and approval.
30. The representative of Ghana announced his country's intention to submit a country programme to the Executive Committee shortly.
31. In response to a request from the Government of Ecuador, a representative of that Government was invited by the Chairman to present his country's country programme.
32. The representative of Ecuador introduced his country's country programme (UNEP/OzL.Pro/ExCom/6/6/Rev.1) and underlined his Government's commitment to implementation of the Montreal Protocol as soon as possible.
33. A number of members expressed the view that the programme submitted by Ecuador was an excellent country programme and deserved support.
34. The Executive Committee noted with regret that the programme had been submitted too late to permit its detailed examination. Nevertheless, it approved the programme on the understanding that approval of the overall programme did not imply approval of each and every project contained therein. The Executive Committee further approved the disbursement of US\$ 400,000 to enable Ecuador to initiate activities; US\$ 300,000 of the sum would be used to carry out feasibility studies on aerosols and US\$ 100,000 for the reduction of CFC-11 use in foam at three refrigerator manufacturing plants.
35. The Executive Committee decided to defer consideration of the institutional strengthening component of the programme pending preparation by the Fund Secretariat of a document dealing with institutional strengthening in countries operating under paragraph 1 of Article 5 for consideration by the Committee at its Seventh Meeting.

Agenda item 6: Draft guidelines for the presentation of projects

36. The Chief Officer introduced the draft guidelines (UNEP/OzL.Pro/ExCom/6/7), emphasizing that their intention was to help countries to present their projects and to streamline procedure.

37. Several members proposed that the project description should also explain how the project meets the incremental costs criteria. One member considered that the section on the budget should show how different items were functionally related to activities. Another member suggested that a model should be attached for countries to follow. One member expressed the view that implementing agencies should indicate the criteria they used in assessing projects.

38. The Executive Committee took note of the draft guidelines and requested the Secretariat to revise the document in the light of the comments made for submission to the Seventh Meeting.

Agenda item 7: Project proposals:

- Malaysia
- Mexico
- Egypt
- China

39. The Chief Officer introduced the project proposals from Malaysia (UNEP/OzL.Pro/ExCom/6/8).

40. The representative of Malaysia, referring to the report by the World Bank concerning Malaysia's projects (UNEP/OzL.Pro/ExCom/6/10), expressed the view that the estimate of incremental costs by the consultant were not justified and did not take into account the local situation. He also requested the World Bank to clarify what was meant by incremental costs.

41. The representative of the World Bank replied that any savings effected as a result of implementing a project had to be deducted from the capital cost in order to give the incremental cost.

42. The Chairman pointed out that incremental costs were defined in Appendix I to Annex IV to the Report of the Second Meeting of the Parties (UNEP/OzL.Pro/2/3).

43. One member considered that the indicative list of categories given in Annex IV was not clear and that the Parties should be asked to give a clearer definition.

44. The Executive Committee approved the proposals submitted by Malaysia on the conservation, leakage control and recycling of CFC-12 and the demonstration project in the automobile air-conditioning sector, and on the servicing, maintenance and recovery charging kit for portable extinguishers (halon 1211) and the training project in halon sectors, representing US\$ 0.91 million and US\$ 0.72 million respectively.

45. The Chief Officer introduced the project proposals from Mexico contained in Annex III to the World Bank Work Program in document UNEP/OzL.Pro/ExCom/6/3.

46. The Executive Committee confirmed the approval of US\$ 4 million for project proposals by Mexico which had been agreed at its Fifth Meeting.

47. The Chief Officer introduced the project proposals from Egypt (UNEP/OzL.Pro/ExCom/6/9 and Corrs. 1 and 2).

48. The representative of Egypt requested that the following statement made by the representative of the World Bank be included in the report:

"The World Bank wished to note on behalf of the International Finance Corporation (IFC) that the IFC is a shareholder in MCMC and had advised the Bank that:

1. its understanding as a shareholder of MCMC is that the full cost of conversion from CFC-12 to HFC 134a will be met by Whirlpool of Italy;
2. that Whirlpool of Italy is the only source of technical advice and design for this conversion and that if an alternative source of technical advice is adopted, the licensing and shareholding agreements in place would be in jeopardy."

49. The representative of Egypt further requested that action on the project proposal on Conversion of Refrigerating Compressors to HFC 134a by MISR Compressors Manufacturing Co. should be deferred until his Government had had an opportunity to verify the statement made by the representative of the World Bank.

50. The Executive Committee authorized the disbursement of US\$ 1.5 million to allow Egypt to continue work on the preparation and appraisal of the other three projects proposed.

51. The representative of the World Bank introduced the project proposals relating to China annexed to its work programme, (UNEP/OzL.Pro/ExCom/6/3), which consisted of seven projects totalling US\$ 14.3 million.

52. The representative of UNDP explained that the project proposals were the result of a mission to China carried out jointly by UNDP and the Government of Finland.

53. Some members considered that the project proposals were not sufficiently detailed to allow a decision to be taken at the present stage.

54. After further discussion and in view of the large consumption of ODSs in China and the need to speed up their elimination, the Executive Committee decided to authorize disbursement of an advance of US\$ 6 million to allow the commencement of implementation of the project proposals for China. Its decision was subject to the understanding that the World Bank would subsequently give the Executive Committee further details regarding the projects.

55. The Executive Committee stressed that its approval of advances to China and Egypt did not constitute precedents.

Agenda item 8: Issues related to the Sixth Meeting of the
Open-Ended Working Group of the Parties

56. Pursuant to a request by the Chief Officer, the Executive Committee authorized the Secretariat to prepare documents on the following issues for discussion in the Executive Committee and transmission to the Open-Ended Working Group of the Parties:

- (i) further definition of incremental costs;
- (ii) guidelines for cost assessment of bilateral and regional activities;
- (iii) whether support from the Fund could be given retroactively;
- (iv) whether the Fund should finance activities relating to enterprises that were wholly or partly owned by transnational corporations;
- (v) whether the Fund should finance activities relating to enterprises that were owned by countries not Parties to the Montreal Protocol;
- (vi) concessional loans versus grants;
- (vii) the magnitude of the Fund required for the next three-year period.

Agenda item 9: Date and venue of the Seventh Meeting of the Executive Committee

57. The Committee decided to hold its Seventh Meeting at Montreal from 23-26 June 1992.

Agenda item 10: Other matters

58. The representative of Jordan asked the World Bank to provide information on the status of the Jordanian country programme prepared by the World Bank. He further requested information from UNDP regarding the feasibility study on deodorization of liquified petroleum gas in Jordan.

59. In response, the representative of the World Bank stated that the country programme had been completed. The representative of UNDP replied that the study was included in UNDP's work programme approved by the Executive Committee at the present session.

60. Two members considered that there was a need to establish an objective procedure for dealing with projects costing more than US\$ 500,000. They suggested that the implementing agencies could first of all present the projects, the Secretariat could then present their views and the Executive Committee would subsequently take a decision.

61. The Chief Officer pointed out that projects did not always emanate from implementing agencies and there was therefore a need to establish general criteria for project approval by the Committee.

62. The Executive Committee requested the Fund Secretariat to prepare a document on criteria for project approval for consideration at its Seventh Meeting.

63. Due to lack of time, the Executive Committee decided to consider the report of its Sixth Meeting at the beginning of its Seventh Meeting.

IV. CLOSURE OF THE MEETING

64. Following the customary exchange of courtesies, the Chairman declared closed the Sixth Meeting of the Executive Committee.