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

Eighth Meeting  
Montreal, 19-21 October 1992

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

## I. INTRODUCTION

1. The Eighth Meeting of the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol was held at Montreal from 19 to 21 October 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. On behalf of the Executive Committee, he expressed condolences to the representatives of Egypt on the tragic earthquake that had recently occurred in Cairo and requested them to convey the condolences to the Egyptian Government.

3. Dr. M. K. Tolba, Executive Director of UNEP, drew attention to the valid concern of countries operating under paragraph 1 of Article 5 regarding the availability of controlled substances. If production of controlled substances ceased in developed countries, Article 5, paragraph 1, countries would be obliged to cease using them as well and the grace period would be meaningless. At its seventh meeting, the Open-Ended Working Group had requested the Executive Committee to estimate the quantities of controlled substances required by countries operating under Article 5, paragraph 1, during their grace and phase-out periods (paragraph 84 of document UNEP/OzL.Pro/WG.I/7/4). The preliminary picture that emerged was generally positive, but estimates were an ongoing process and any change in obligations would necessitate recalculation.

4. The Executive Director emphasized the need to make continued efforts to speed up the disbursement of funds. He assured the Committee that UNEP would be closely reviewing its own disbursement process and hoped that the other implementing agencies would do the same.

5. Regarding the future of the Fund, he said that it constituted a model for international law. It worked well because it was a financial mechanism that allowed developed and developing countries to participate as equals in the decision-making process; it represented a delicate compromise which it would be unwise to modify.

### B. Attendance

6. 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.

7. 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.

8. Pursuant to the decision taken by the Executive Committee at its Seventh Meeting, representatives of the United Nations Industrial Development Organization (UNIDO) also attended as observers.

9. Representatives of Friends of the Earth and Greenpeace were also present.

#### C. Adoption of the Agenda

10. The Meeting adopted the following agenda:

- 1. Opening of the Meeting.
- 2. Organizational matters:
  - (a) Adoption of the agenda;
  - (b) Organization of work.
- 3. Report by the Fund Secretariat:
  - (a) Secretariat activities;
  - (b) Contributions and Fund disbursements.
- 4. Financial matters:
  - (a) Proposed revised budget for the Fund Secretariat for 1993;
  - (b) Proposed budget for Fund operations for 1993;
  - (c) Requests for bilateral contributions.
- 5. Draft report of the Second Meeting of the Sub-Committee of the Executive Committee.

6. Implementing agencies:
  - (a) Progress reports:
    - UNDP
    - UNEP
    - World Bank
  - (b) Work programme amendments:
    - UNDP
    - UNEP
    - World Bank
  - (c) Draft Agreement between UNIDO and the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol
7. Country programmes:
  - (a) Costa Rica
  - (b) Egypt
  - (c) Ghana
  - (d) Turkey
  - (e) Zambia
8. Project proposals:
  - (a) China
  - (b) Egypt
  - (c) Tunisia
  - (d) Turkey
  - (e) Venezuela
9. Issues related to the Open-Ended Working Group of the Parties:
  - (a) Meeting of the needs of Article 5 Parties for controlled substances during the grace and phase-out periods;
  - (b) Proposed amendment to the indicative list of categories of incremental costs.
10. Report of the Executive Committee to the Fourth Meeting of the Parties.
11. Other matters.

12. Date of the Ninth Meeting of the Executive Committee.
13. Adoption of the report.
14. Closure of the Meeting.

Agenda item 3: Report by the Fund Secretariat

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

11. The Chief Officer introduced documents UNEP/OzL.Pro/ExCom/8/2/Corr.1 and UNEP/OzL.Pro/ExCom/8/3/Corr.1.

12. One representative proposed that, in view of the fact that some countries obviously encountered difficulties in making their financial contributions to the Fund in due time, a scheme should be developed for the disbursement of the Fund's resources together with a flow chart for contributions. If possible, those proposals should be decided upon by the Fourth Meeting of the Parties in Copenhagen in order to overcome existing difficulties and ensure timely payment of contributions. Two representatives supported the proposal.

13. In response, the Executive Director emphasized that governments had undertaken a commitment to pay a specified sum into the Interim Multilateral Fund itself at the beginning of each calendar year. The funds had to be available before the Executive Committee could approve projects. There was no provision - and no precedent in the case of a trust fund - for the money to remain in a particular country's Central Bank until it was needed for a project. Interest earned on the money in the Interim Multilateral Fund was reported to the Executive Committee, which decided on the use to which it should be put. In addition, he pointed out that financial years in different countries did not necessarily coincide with the calendar year and it was necessary to carry over a certain sum from one calendar year to the next to allow activities to be carried out on a regular basis.

14. Several representatives drew attention to the problem of outstanding contributions. A number of suggestions were made on how to deal with the problem. Some representatives considered that the issue was a political one and did not come within the competence of the Executive Committee. One representative pointed out that any decision would have financial implications for the other contributors.

15. In conclusion, the Chairman emphasized that the London Amendment specified that contributions had to be in United States dollars or in kind. Nevertheless, in order to facilitate discussion, he requested the Secretariat to prepare a document setting out the various options for dealing with the problem.

Agenda item 4: Financial matters

- (a) Proposed revised budget for the Fund Secretariat for 1993
- (b) Proposed budget for Fund operations for 1993
- (c) Request for bilateral contributions

16. The Chief Officer introduced documents UNEP/OzL.Pro/ExCom/8/4, UNEP/OzL.Pro/ExCom/8/5, UNEP/OzL.Pro/ExCom/8/6 and UNEP/OzL.Pro/ExCom/8/6/Add.1.

17. One representative asked for further details concerning the increase in the revised budget. Another representative requested that the 1992 figures be given for purposes of comparison and said that the justification for any increases should be given. She considered that efforts should be made to reduce the costs of meetings and rental of telecommunication equipment.

18. With regard to requests for bilateral contributions, some representatives expressed concern that the Executive Committee did not at present have sufficient information about the status of the activities concerned and suggested that it should have some mechanism to control the amounts of bilateral cooperation being offset against a country's contribution. Another representative said that the approval of bilateral programmes was evidence of desirable flexibility and that the lessons learned from bilateral activities would help the Executive Committee to develop guidelines on retroactive funding which would be useful in future.

19. The Chief Officer, in reply, said that the task of the Executive Committee had been to assess bilateral contributions. The slight increase in staff costs for 1993 was due to the step increases which the staff received every year; the additional telecommunication expenditure related to the installation of a computer-based communications network; and the 10 per cent increase under the meetings component resulted from the higher cost of travel and the ever-increasing documentation required for meetings.

20. The Executive Committee approved the revised budget for the Secretariat for 1993 (Annex I) and the proposed budget for Fund operations for 1993 (Annex II). It also approved the requests by Australia to offset A\$ 6,000 against its 1993 contribution, and the United States of America to offset US \$1,669,000 against its 1992 contribution. It further decided that a report on bilateral contributions should be prepared every six months to enable it to be fully apprised of the situation.

Agenda item 5: Draft report of the second meeting of the Sub-Committee of the Executive Committee

21. The Vice-Chairperson introduced the draft report of the meeting she had chaired (UNEP/OzL.Pro/ExCom/SC.2/L.1).
22. One representative asked why the items in the sample executive project summary (EPS) annexed to the draft report did not include the implementing agency. He also expressed the view that the alternative texts for recommendation 12 outlined an extremely complex procedure and he preferred the original recommendation 12.
23. Another representative suggested that the possible constraints should be added to Item 7.
24. A representative asked for further details on the Secretariat's role in the three phases.
25. One representative highlighted the danger of establishing too many guidelines. It was important to allow the implementing agencies to do their work and not to interfere unduly. Furthermore, in view of the large number of project proposals submitted, the Executive Committee could not go into great detail.
26. The Vice-Chairperson, in response, stated that the implementing agency would be added to the sample executive project summary and the possible constraints to Item 7. She suggested that the Secretariat should be requested to prepare a document on its role in the process.
27. The representative of the World Bank said that the Bank preferred paragraph 6 of the alternative texts annexed to the draft report. It also considered that paragraphs 14 and 15 of the recommendations should be merged. In that regard, the Bank asked to be on record as opposing an intermediary or arbitration role for the Secretariat between Article 5 Parties and implementing Agencies, believing such a role to be inconsistent with its agreement with the Executive Committee. Finally, regarding paragraph 10, he pointed out that the dividing line between policy issues and implementation was not clear-cut. The Bank would like to see all policy issues resolved beforehand, but in practice that was not always possible and the Bank wished to have the autonomy to resolve issues as they arose.
28. The Executive Committee expressed its confidence in the work of the Secretariat as the liaison body of the Executive Committee with the implementing agencies and the Parties.
29. One representative stated that it must be made clear that when an implementing agency transferred work to another agency, the cost must be met by the implementing agency.
30. Another representative emphasized that all policy issues relating to the viability of a project must be resolved in advance.

31. The Vice-Chairperson said that the recommendations would be revised in the light of the comments made.

32. The Committee adopted the recommendations of the Sub-Committee as included in Annex III to this report.

#### Agenda item 6: Implementing Agencies

##### (a) Progress Reports

#### World Bank

33. The representative of the World Bank introduced document UNEP/OzL.Pro/ExCom/8/9 and indicated that there was a substantial increment in the work being proposed for review by the Executive Committee at the current meeting. Progress had also been made in harmonizing the Bank's own operational procedures with the agreements reached by the Executive Committee and in enhancing the Bank's co-operation with the other implementing agencies. As a result of the agreements reached and the greater expertise now available (e.g., through the Ozone Operations Resource Group), faster progress could be expected in future. He also referred to the additional work that would be required to agree on project costing estimates with the Government of China.

34. Some representatives requested further information concerning the cost increases in China and asked whether that was a general trend in the country or just project-related. One representative felt that the Executive Committee needed full justification concerning the costing before giving its approval.

35. The representative of the World Bank said that the definition of incremental costs was proving to be more difficult than expected. Those costs were very dependent upon pricing rather than capital costs and in transitional economies that was a very political issue which would come up again and again. Future country programmes would need to be very explicit so that unpleasant surprises could be avoided.

36. The Executive Committee took note of the World Bank progress report with appreciation.

#### UNDP

37. The representative of UNDP introduced document UNEP/OzL.Pro/ExCom/8/7 and reported on progress to date in the preparation of China's country programme as contained in the annex to the document.

38. One representative said that the report did not make it easy to see what the status of a project was. In some cases, funding had already been approved but there was no evidence of real progress.

39. The representative of UNDP replied that some activities had been delayed for reasons beyond UNDP's control.

40. The Executive Committee took note of the UNDP progress report with appreciation.

#### UNEP

41. The representative of UNEP introduced document UNEP/OzL.Pro/ExCom/8/8 and said that the clearing-house user guide was now ready and would be published in the near future. UNEP also distributed a training strategy discussion paper for review by the Executive Committee. Training had so far been done mostly on an ad hoc basis; it was therefore necessary to develop a strategy to cope with the tremendous need for training.

42. One representative requested further information on UNEP's use of the Finnish trust fund and asked whether the clearing-house was a free service.

43. The UNEP representative replied that the funds concerned were being used to finance the participation of non-Parties in workshops organized under the Fund: it was hoped that further countries would thereby be encouraged to join. Although use of the clearing-house database was free, countries had to pay their own telephone connection charges. It might be possible to include such costs in future country programmes.

44. The Executive Committee took note of the UNEP progress report with appreciation.

(b) Work Programme Amendments:

UNDP

UNEP

World Bank

45. The Chief Officer read out the Secretariat's recommendations concerning the work programme amendments of UNDP and the World Bank.

46. The representative of UNEP stated that UNEP was not submitting any amendments to its work programme.

47. Some representatives expressed concern at the late arrival of document UNEP/OzL.Pro/ExCom/8/10/Add.2 and felt that a policy decision should be taken on such matters (for example, reference was made to the six-week rule). One representative supported

the Secretariat's recommendations concerning the other UNDP amendments and asked for some clarifications with regard to institutional support.

48. The representative of the World Bank said that there was no generic relationship between institutional needs and size of consumption. Some countries which had very large ODS use had a small capacity to eliminate the substances. Judgements therefore had to be made on a case-by-case basis and in the present instance the proposed amendments had been fully endorsed by the Governments concerned. With regard to institutional strengthening, he said that experience had shown that the present guidelines were inadequate and he felt that it would be helpful to have a list of items that were not eligible for funding under the institutional strengthening component.

49. One representative agreed that there was a need to update the guidelines on institutional strengthening in the light of experience.

50. The Executive Committee requested the World Bank to prepare a document on funding of institutional strengthening in the light of the experience it had gained.

51. The Executive Committee expressed the view that it should consider projects costing less than US \$500,000 only when it considered that policy issues were involved.

52. The representative of a country operating under Article 5, paragraph 1, underlined the important problems facing developing countries when changing their technology, which they were doing at the same time as the developed world. Developing countries were in great need of support for institutional strengthening during that period. His remarks were supported by representatives from other developing countries.

53. The Executive Committee approved a total amount of US \$2,439,000 for the following amendments to the 1992 World Bank work programme on the understanding that the amounts could be revised in the light of the Executive Committee's discussions on the document on institutional strengthening to be prepared by the World Bank.

Global Project	Solvents	US \$ 260,000
	Halons (for implementation by UNDP)	US \$ 390,000
	Mobile Air Conditioners (for implementation by UNDP)	US \$ 360,000
	Refrigeration	US \$ 60,000
Guatemala	Project preparation	US \$ 25,000
Indonesia	Country programme	US \$ 54,000

Tunisia	Implementation of Government action	US \$ 280,000
	Maintenance of domestic commercial and industrial refrigerators	US \$ 300,000
	Engineering assistance for design, testing and introduction of alternative technologies	US \$ 360,000
	Aerosol seminar and consultancy	US \$ 50,000
Turkey	Implementation of Government action	<u>US \$ 300,000</u>
	Total	US \$2,439,000

54. The representative of the World Bank said that it was happy to accept the judgement of the Executive Committee on the size of the support it agreed for the Tunisia institutional strengthening project component. However, he expressed the belief of the Bank management that the Bank was in the best position to make a judgement, in consultation with Tunisia, on the capacity building needs for Tunisia and other Parties operating under Article 5, paragraph 1. Further, he expressed the concern of Bank management regarding the very detailed review provided on small projects and stated his belief that the Tunisia project could be even better if the resources proposed by the Bank and the Government of Tunisia were approved.

55. The representative of UNDP, referring to the Secretariat's proposal to reduce by half the sum requested for the Philippines country programme formulation, said that the work could not be carried out if only US \$45,000 was allocated.

56. The Executive Committee examined the request for support for institutional strengthening submitted by the Government of Venezuela in a communication to the Chief Officer. It approved the amount of US \$100,000 to be included in the work programme of UNDP.

57. The Executive Committee approved the amount of US \$1,277,400 for the following amendments to the UNDP work programme:

Cuba	Reconnaissance survey	US \$ 22,600
India	Project preparation	US \$ 113,000
	Institutional strengthening	US \$ 430,600
Indonesia	Country programme	US \$ 226,000

Iran	Country programme	US \$ 113,000
	Institutional strengthening	US \$ 200,200
Philippines	Country programme	US \$ 45,000
Uruguay	Country programme	US \$ 27,000
Venezuela	Institutional strengthening	<u>US \$ 100,000</u>
	Total	US \$1,277,400

(c) Draft agreement between UNIDO and the Executive Committee of the Interim Multilateral Fund for the implementation of the Montreal Protocol

58. The Chief Officer introduced the draft Agreement between UNIDO and the Executive Committee (UNEP/OzL.Pro/ExCom/8/13). In order to make that Agreement consistent with the agreements signed with the other implementing agencies, he read out two proposed amendments to the Agreement.

59. The representative of UNIDO said that an initial UNIDO work programme had been transmitted to the Secretariat and that the final version would be submitted to the next meeting of the Executive Committee. She hoped that the amount allocated would be increased so that UNIDO could do meaningful work to assist the Fund.

60. Several representatives welcomed the fact that UNIDO would be joining in the work of the Fund and expressed the hope that it would develop specialized programmes in its own field of expertise and avoid duplication of the work being done by the other agencies.

61. The representative of UNIDO replied that UNIDO would develop programmes specific to its own capacities so as to fit in best with the work of the other agencies.

62. Two representatives considered that there were policy issues involved in the agreement and the member States of UNIDO should be given an opportunity to discuss it. Other representatives did not consider that any policy issues were involved and proposed that the agreement should be signed without further delay.

63. The representative of UNIDO, in response, stated that the Board of UNIDO had approved an environment programme in 1990 and the agreement with the Fund came within that programme.

64. The Executive Committee approved the agreement with UNIDO and authorized the Chairman to sign it on behalf of the Committee. It invited UNIDO to commence discussions

with UNDP, UNEP and the World Bank with a view to coordination. It further invited UNIDO to present its work programme to the Ninth Meeting of the Executive Committee.

65. After receipt of clearance of the revised agreement from UNIDO's Legal Department in Vienna, it was signed by the Chairman of the Executive Committee and head of UNIDO's delegation (Annex IV).

#### Agenda item 7: Country programmes

66. The Chief Officer introduced the country programmes of Costa Rica, Egypt, Ghana, Turkey and Zambia as contained in documents UNEP/OzL.Pro/ExCom/8/28 and Corr.1, UNEP/OzL.Pro/ExCom/8/14, Add.1 and Corr.1, UNEP/OzL.Pro/ExCom/8/15 and Add.1, UNEP/OzL.Pro/ExCom/8/17, and UNEP/OzL.Pro/ExCom/8/18 respectively. He informed the Committee that Iran wished its country programme to be submitted to the Ninth Meeting of the Committee.

#### (a) Costa Rica

67. The representative of UNDP presented Costa Rica's country programme.

68. Some representatives expressed concern that the country programme had been received very late.

69. Several representatives considered that since the Secretariat had recommended approval of the programme the Executive Committee could approve it forthwith. One representative, however, cautioned the Committee against setting a precedent by approving a programme without due consideration.

70. The Executive Committee approved the country programme for Costa Rica and the funding level of US \$393,400 for its implementation subject to any major objections thereto being received by the Secretariat within a period of two weeks. The approved funds were to be included as an amendment to UNDP's work programme.

#### (b) Egypt

71. The representative of Egypt presented Egypt's country programme. He pointed out that, following evaluation of two alternative scenarios for phase-out strategy, it had emerged that an accelerated phase-out would be the most cost-effective.

72. The Executive Committee approved the country programme for Egypt. Such approval did not, however, imply approval of all the funding for all the activities and projects listed.

(c) Ghana

73. The representative of Ghana presented Ghana's country programme and outlined the present and future programme for the reduction of ODSs in Ghana. He expressed his Government's gratitude to UNEP and the Fund Secretariat for their assistance in preparing the programme and emphasized that UNEP still had a role to play in the programme's implementation, particularly in the area of training and promoting awareness. He also invited UNIDO to take an interest in the country programme.

74. One representative stated that stockpiling, which was one of the components of Ghana's country programme, was a very important issue in view of the possible future scarcity of certain controlled substances. In addition, it would help to achieve an earlier phase-out in producing countries. Another representative considered that stockpiling was a policy issue which should be discussed by the Open-ended Working Group.

75. The Executive Committee approved the country programme for Ghana. It further approved funds amounting to US \$573,000 requested for the three projects annexed to the programme. The approved funds were to be included as an amendment to UNDP's work programme.

(d) Turkey

76. The representative of the World Bank presented Turkey's country programme.

77. The Executive Committee approved the country programme for Turkey. Such approval did not, however, imply approval of all the funding for all the activities and projects listed.

(e) Zambia

78. The representative of UNEP presented Zambia's country programme. He questioned the Secretariat's views concerning incremental costs related to the purchase of new domestic appliances in view of the existing guidelines.

79. The Executive Committee approved the country programme without approval of the funding level. It requested UNEP to revise the cost estimates and include them in its 1993 work programme.

Agenda item 8: Project proposals

(a) China

80. The Chief Officer introduced the Nanjing refrigeration project contained in documents UNEP/OzL.Pro/ExCom/8/19 and Add.1.

81. One representative felt that the document did not give sufficient information on what other technologies and definitive substitutes might be available and he requested the World Bank to take that possibility into consideration in the study.

82. The Executive Committee approved the project proposal for China and US \$300,000 for project preparation.

(b) Egypt

83. The Chief Officer introduced documents UNEP/OzL.Pro/ExCom/8/20, Adds.1 and 2 and Corr.1 and updated the Secretariat's recommendations concerning the following projects: Phase-out of the Use of CFC-11 in the Manufacture of Flexible Polyurethane Foam at Misr Foam Company and Phasing-out CFCs in Refrigeration at Koldair.

84. The representative of Egypt said that although Taki-Vita was a joint venture, there was no agreement for technology transfer. He hoped, therefore, that it would be possible at a later stage to submit a document showing that the remaining 40 per cent should qualify for funding as an eligible incremental cost.

85. The representative of UNDP said that UNDP and the World Bank would find it useful to have a ruling on that subject from the Executive Committee concerning projects involving enterprises partly owned by shareholders from developed countries. His opinion was that cases of passive investment with no technology transfer should qualify for 100 per cent financing.

86. The representative of Greenpeace had some reservations concerning the Misr Compressors Manufacturing Company (MCMC) project and he wondered whether all the costs referred to were in fact incremental.

87. The Executive Committee approved the following five project proposals; the first four would be implemented by UNDP and the fifth would be implemented by the World Bank:

(i)	Misr foam - polyurethane foam	US \$ 497,000
(ii)	Taki-Vita - polyurethane foam	US \$ 294,000
(iii)	Koldair refrigeration (fixed project costs only)	
	US \$ 272,000	
(iv)	Technopol - moulded polyurethane foam	US \$ 645,000
(v)	MCMC Compressors HFC-134a	US \$2,800,000

88. The Committee decided that the US \$1.5 million already disbursed to UNDP for project development in Egypt should be used towards implementation of the four projects to be implemented by UNDP. The representative of UNDP informed that US \$100,000 has already been budgeted for preparation of the current and future projects in Egypt. Therefore the additional sum of US \$308,000 required for implementation should be included as an amendment to UNDP's work programme.

89. With respect to the Koldair project, the Executive Committee requested the Government of Egypt to revise the project component relating to the four-year operational costs and resubmit it for its consideration at the Ninth Meeting.

90. The Committee did not approve the project proposal on Elimination of CFC-12 in Foam Manufacturing at Al Sharif Plastic Factories as presented.

(c) Tunisia

91. The Chief Officer said that the Executive Committee had already approved all the project proposals of Tunisia as amendments to the World Bank programme.

(d) Turkey

92. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/8/23 and Add.1 and added that the project "Implementation of Government Actions" had already been approved as an amendment to the World Bank programme.

93. One representative said that anything which was approved at present should be subject to any further decisions concerning eligible incremental costs and that some changes might therefore be required.

94. The Chairman said that there would be a legal difficulty in reversing any decisions taken on the basis of the indicative list of incremental costs.

95. The Executive Committee approved the following project to be implemented by the World Bank:

Domestic Refrigeration Arcelik - HFC-134a	US \$4,900,000
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(e) Venezuela

96. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/8/24 and Adds.1 and 2.

97. One representative stressed the importance of countries operating under Article 5, paragraph 1 Parties selecting the implementing agency at an early stage of project preparation in order to speed up the project approach process.

98. One representative expressed the view that the presentation of the project formulated by Venezuela was excellent.

99. The representative of Venezuela pointed out that the project had two cost components which required revision and they could be submitted subsequently as amendments to the World

Bank's work programme. He also drew attention to the lengthy periods foreseen for appraisal and requested the World Bank to reduce the time required.

100. The Executive Committee approved the following project proposal to be implemented by the World Bank:

Refrigeration and air conditioning

US \$1,100,000.

101. One representative said that it might be useful to utilize an expert or expert panel on a permanent basis to review the technical aspects of project proposals in order to lighten the workload of the Secretariat. It would also be desirable to compare the project proposals with some general criteria regarding the incremental nature of costs. In future, it might be necessary to consider the prioritization of activities in view of the persistent discrepancy between pledges and the funds actually available.

Agenda item 9: Issues related to the Open-Ended Working Group of the Parties

(a) Meeting of the need of Article 5 Parties for controlled substances during the grace and phase-out periods

102. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/8/25 and Add.1.

103. The Executive Committee took note of that document.

(b) Proposed amendment to the indicative list of categories of incremental costs

104. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/8/26.

105. One representative questioned whether a matter such as institutional strengthening should be considered an incremental cost and suggested that a sub-committee prepare a list of valid incremental costs. Practical experience had shown that there were further aspects of the subject which needed to be considered. She also felt that research and development should only be funded when no appropriate technology was available on the market and that equipment production facilities should in no case be considered for Fund assistance.

106. Other representatives were of the opinion that the present indicative list of incremental costs was sufficiently flexible to allow proposals to be dealt with adequately on a case-by-case basis and saw no need for its revision or for the establishment of a sub-committee to consider the question.

107. One representative said that there should be a mechanism to ensure that the benefits of any R&D financed by the Fund were made available for general use.

108. The Executive Committee recommended the following:

1. At least for the present, the existing Indicative List of Categories of Incremental Costs as included in Appendix I of Annex IV of Decision II/8 of the Second Meeting of the Parties should be left unchanged.
2. The Executive Committee, as mandated by the Parties, could consider proposals regarding research and development on substitutes, and equipment production facilities for recycling and destruction on a case-by-case basis provided that the costs incurred were of an incremental nature.

Agenda item 10: Report of the Executive Committee to the Fourth Meeting of the Parties

109. The Chairman said that the report to the Parties would consist of document UNEP/OzL.Pro/ExCom/8/27 and the report of the Executive Committee on its Eighth Meeting. In addition, he would be presenting the Executive Committee's report to the Parties at their meeting and would describe further important aspects of the work of the Executive Committee. If possible, he would distribute the text of his statement to the members of the Executive Committee in advance. The Committee approved its Report to the Fourth Meeting of the Parties which is contained in document UNEP/OzL.Pro.4/8/Rev.1.

Agenda item 11: Other Matters

110. One representative said that the Government of Brazil was preparing two documents it wished to submit to the Executive Committee at its next meeting: a study on the cost of implementing the Protocol in Brazil and a national work programme being developed with World Bank assistance.

111. The Executive Committee took note of the intentions of the Government of Brazil.

112. Two representatives felt that the Executive Committee should consider making funds available to invite non-members to participate in the discussion of programmes or projects relating to their countries.

113. The Executive Committee took note of that suggestion.

114. One delegation expressed the hope that the document on the Canz Experience (UNEP/OzL.Pro/ExCom/8/Inf.2) would be read widely and make a useful contribution to the discussions at the forthcoming meeting of the Open-Ended Working Group of the Parties.

Agenda item 12: Date of the Ninth Meeting of the Executive Committee

115. The Committee decided to hold its Ninth Meeting at Montreal from 22-24 February 1993.

Agenda item 13: Adoption of the Report

116. The Executive Committee adopted the present report, on the basis of the draft report contained in document UNEP/OzL.Pro/ExCom/8/L.1, at its closing session on 21 October 1992.

**IV. CLOSURE OF THE MEETING**

117. Following the customary exchange of courtesies, the Chairman declared the Eighth Meeting of the Executive Committee closed.

## **ANNEX I**

### **REVISED BUDGET FOR THE SECRETARIAT FOR 1993**

The Executive Committee at its Third Meeting considered the three-year budget for the Secretariat of the Multilateral Fund and "agreed that budgets for the second and third years ahead could not be formulated with precision at the present juncture and declared its intention to request the Chief Officer to present revised budgets for every year at the meeting of the Committee immediately preceding each calendar year" (UNEP/OzL.Pro/ExCom/3/18/Rev.1, paragraph 76).

Accordingly, the Secretariat has prepared the revised budget for 1993 as presented in this document.

**REVISED BUDGET FOR THE SECRETARIAT FOR 1993**

Number	DESCRIPTION	W/M	US \$
10	<b>PROJECT PERSONNEL COMPONENT</b>		
1100	<b>Project Personnel (Title &amp; Grade)</b>		
1101	Chief Officer D.2	12	108,000
1102	Deputy Chief Officer P.5	12	84,000
1103	Deputy Chief Officer P.5	12	84,000
1104	Programme Officer P.3	12	62,000
1105	Programme Officer P.3	12	62,000
1106	Programme Officer P.3	12	62,000
1107	Programme Officer P.3	12	62,000
1108	Information Officer P.3	12	62,000
1109	Fund and Administration Officer P.4	12	70,000
1199	Total		<b>656,000</b>
1200	<b>Consultants</b>		
1201	Evaluations of programmes, projects, etc		200,000
1299	Total		<b>200,000</b>
1300	<b>Administrative Support (Title &amp; Grade)</b>		
1301	Administrative Assistant G.9	12	42,000
1302	Documentalist G.8	12	32,000
1303	Secretary to Chief Officer G.8	12	38,000
1304	Senior Secretary G.6	12	32,000
1305	Senior Secretary G.6	12	32,000
1306	Senior Secretary G.6	12	32,000
1307	Senior Secretary G.6	12	32,000
1308	Senior Secretary G.6	12	32,000
1309	Registry Clerk G.4	12	24,000
1329	CSC (conference servicing costs) for 9th Executive Committee Meeting		90,000
1330	CSC - 10th Executive Committee Meeting		90,000
1331	CSC - 11th Executive Committee Meeting		90,000
1332	CSC - 2 Sub-Committee Meetings		30,000
1399	Total		<b>596,000</b>
1600	<b>Travel on business</b>		
1601	Travel and subsistence (Staff)		120,000
19	<b>COMPONENT TOTAL</b>		<b>1,572,000</b>

Number	DESCRIPTION	W/M	US \$
20	<b>CONTRACTS COMPONENT</b>		
2100	Sub-contracts		
2101	External printing: Information		30,000
29	<b>COMPONENT TOTAL</b>		<b>30,000</b>
30	<b>MEETINGS COMPONENT</b>		
3300	Travel and dsa for participants at meetings		
3305	Chairman/Vice-Chairman's travel and dsa		30,000
3310	9th Executive Committee (7 x 3 x \$ 4,000)		84,000
3311	10th Executive Committee (7 x 3 x \$ 4,000)		84,000
3312	11th Executive Committee (7 x 3 x \$ 3,000)		84,000
3313	2 Sub-Committee meetings (2 x 3 x \$ 3,000)		18,000
39	<b>COMPONENT TOTAL</b>		<b>300,000</b>
40	<b>EQUIPMENT AND PREMISES COMPONENT</b>		
4100	Expendable equipment (items under \$500)		
4101	Office stationery supplies		12,000
4102	Software and computer items		6,000
4199	Total		<b>18,000</b>
4200	Non-expendable equipment		
4201	Office furniture		0
4202	Personal computers		0
4203	Portable computers (1)		5,000
4204	Others		5,000
4299	Total		<b>10,000</b>
4301	Rental of offices		540,000
49	<b>COMPONENT TOTAL</b>		<b>568,000</b>

Number	DESCRIPTION	W/M	US \$
50	<b>MISCELLANEOUS COMPONENT</b>		
5100	Operation and maintenance of equipment		
5101	Maintenance of Equipment		7,000
5102	Maintenance of office		5,000
5103	Maintenance of computer equipment		10,000
5104	Rental of photocopier(s)		18,000
5105	Rental of telecommunication equipment		21,000
5199	Total		<b>61,000</b>
5200	Reporting costs (including translation costs)		
5201	Executive Committee Meetings		40,000
5202	Others (including meetings of Parties)		20,000
5299	Total		<b>60,000</b>
5300	Sundry costs		
5301	Communications		30,000
5302	Freight: (documents)		20,000
5303	Miscellaneous charges		10,000
5399	Total		<b>60,000</b>
5400	Hospitality		
5401	Hospitality for Meetings		10,000
59	COMPONENT TOTAL		<b>191,000</b>
99	GRAND TOTAL		2,661,000
	Programme Support Costs		123,760
	Counterpart Contribution (Canada)		650,000
	TOTAL COST TO FUND		<b>2,134,760</b>

## **ANNEX II**

### **PROPOSED BUDGET FOR FUND OPERATIONS FOR 1993**

1. Pursuant to the decision of the Executive Committee, at its third meeting, to have the Fund budget presented "in two separate parts: the administrative budget, consisting of the budget of the Fund Secretariat, and the budget for operational activities." (UNEP/OzL.Pro/ExCom/3/18/Rev.1), paragraph 21), this document contains the Proposed Budget for Fund Operations for 1993.
2. Table 1 contains the proposed budget for Fund Operations for 1993.
3. The disbursement to implementing agencies in 1993 is based on information provided by the agencies.

Table 1

PROPOSED BUDGET FOR FUND OPERATIONS, 1993  
(Million of United States dollars)

Description	Amount
<b>I ESTIMATED INCOME</b>	
1. FUND Income (Pledged)*	113.33
2. Interest earnings	0.50
3. Counterpart Contribution (Canada)	0.65
<b>TOTAL</b>	<b>114.48</b>
<b>II. ESTIMATED DISBURSEMENTS</b>	
1. Implementing Agencies	
UNDP	24.00
UNEP	3.60
World Bank	80.00
UNIDO	4.55
2. Fund Secretariat	2.20
3. Programme Support Costs	0.13
<b>TOTAL**</b>	<b>114.48</b>

\* Incorporates increase in the Fund to US \$240 million as per Terms of Reference of the Fund (UNEP/OzL.Pro/2/3 Annex IV, Appendix IV, Section A, paragraph 1) (assumes full increment of US \$40 million consequent to India's accession will be absorbed in 1993).

\*\* If additional funds were made available through payment of outstanding 1991 and 1992 contributions (presently US \$53.27 million), it is estimated that projects presently being developed could absorb an additional sum of approximately US \$25 million in 1993.

## ANNEX III

### SUB-COMMITTEE RECOMMENDATIONS

1. Pursuant to a decision of the Executive Committee at its Seventh Meeting, the Sub-Committee of the Executive Committee was convened in Washington, D.C. from 3 to 4 September 1992 to "evaluate in greater detail the status of a representative sample of approved projects and to report back to the next meeting of the Executive Committee with a view to identifying barriers to speedy project preparation and implementation and specific proposals for addressing those problems" (UNEP/OzL.Pro/ExCom/7/30, page 8).
2. Case studies were presented for projects in Malaysia, Mexico and Venezuela and presentations were given by the Fund Secretariat and the implementing agencies. It was then decided that the Report of the Sub-Committee would consist of recommendations for expediting project preparation and implementation.
3. The Sub-Committee agreed to the following recommendations:

#### Project Preparation

- 1) Article 5 Parties and designated implementing agencies should work together to expedite the preparation of country programmes, work programmes, and project proposals.
- 2) Article 5 Parties should select an approved implementing agency before preparing projects for submission to the Executive Committee.
- 3) The Fund Secretariat in co-operation with the implementing agencies should provide, Article 5 Parties, up front, with an information kit which should include: information on implementing agencies; project presentation guidelines; sample project proposals; standard grant, and where applicable, legal and disbursement agreements; information on the selection and use of financial intermediaries; and, procedural flow charts.
- 4) Proposed legal and disbursement arrangements should be developed in parallel with investment project proposals.
- 5) Article 5 Parties and designated implementing agencies should develop proposed timelines for preparation and implementation of projects.

### Project Submission and Review

- 6) To the fullest extent possible, documents should be submitted to the Fund Secretariat at least six weeks before each meeting of the Executive Committee.
- 7) Guidelines approved by the Executive Committee for projects, work programmes and country programmes should be followed.
- 8) Project proposals and Executive Committee Meeting reports should clearly state, inter alia, for each project: approval category, implementing agency(s), and eligible incremental costs.
- 9) Procedures to facilitate consideration of projects between meetings should be established.
- 10) All policy issues should be resolved prior to submission of a project to the Executive Committee to the extent possible.
- 11) For projects that have already been approved, decisions on project cost overruns are necessary if additional financing would cause the total expenditures for the project to exceed \$500,000. Overruns which do not cause total expenditures to exceed \$500,000 can be approved within the context of a work programme or work programme amendment. The Executive Committee can approve modifications of approved project budgets with a total incremental cost exceeding \$500,000.
- 12) Relevant implementing agencies may propose within the context of their work programmes, or amendments to work programmes, requests for 'permission to proceed' with the development of a group of projects. To facilitate expeditious implementation of projects, relevant implementing agencies should initiate negotiations with Article 5 Parties as soon as possible to develop legal agreements, which establish funding disbursement, procurement and implementation requirements necessary to implement projects subsequently approved by the Executive Committee. If granted, Executive Committee permission to proceed will not require the Treasurer to transfer any funds, or constitute approval of any sub-project for which adequate documentation is not available. To expedite ODS elimination, relevant implementing agencies are encouraged to implement sub-projects under one unique legal framework agreement (umbrella agreement) with the relevant intermediary in the recipient country. If any of these sub-projects exceeds \$500,000, Executive Committee approval is necessary for each such sub-project prior to the disbursement of funds by the Treasurer.

Project Implementation

- 13) Article 5 Parties should consider the selection of a focal point and use interministerial committees, as appropriate.
- 14) Implementing agencies will provide to the Executive Committee through the Fund Secretariat, progress reports on project implementation, and identify and describe any problem areas.
- 15) The Fund Secretariat should assess project implementation status, ascertain problem areas, and offer assistance in their resolution between Executive Committee meetings.
- 16) If grant agreements, or project documents, are not signed within an appropriate time frame, implementing agencies should provide an explanation of the delay and the Executive Committee should consider further action.

**ANNEX IV**

**AGREEMENT**

**BETWEEN**

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

**AND**

**THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

Background

An Interim Multilateral Fund has been established by the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer. Operating under the authority of the Parties, it will provide financing of agreed incremental costs and a framework of needed technical co-operation including the transfer of technologies to developing countries, which are the Parties operating under paragraph 1 of Article 5 of the Montreal Protocol, to enable their compliance with the control measures set out in Articles 2A to 2E of the Protocol.

The Parties 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 Interim Multilateral Fund. The Executive Committee requested implementing agencies, in the context of country programmes developed to facilitate compliance with the Protocol, to co-operate with and assist the Parties within their respective areas of expertise. In addition to the United Nations Development Programme (UNDP), the International Bank for Reconstruction and Development (World Bank) and the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) has been invited by the Executive Committee, to consolidate its activities in order to define a programme for submission to the Executive Committee with the aim of being assigned as an Implementing Agency of the Interim Multilateral Fund and concluding a specific Agreement with the Executive Committee.

Definitions

The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer will hereafter be referred to as the "Parties".

The Interim Multilateral Fund for the Implementation of the Montreal Protocol will hereafter be referred to as the "Fund".

The Executive Committee for the Fund will hereafter be referred to as the "Executive Committee" and will correspond to the term "Donor" referred to in model United Nations Industrial Development Organization Trust Fund agreements.

The Secretariat of the Fund will hereafter be referred to as the "Fund Secretariat".

The United Nations Industrial Development Organization, as an Implementing Agency, will hereafter be referred to as "UNIDO".

In discussion of the related Work Programmes of other Implementing Agencies, the United Nations Development Programme will hereafter be referred to as "UNDP", the International Bank of Reconstruction and Development as "World Bank", and the United Nations Environment Programme as "UNEP".

#### Scope of Co-operation

The Executive Committee of the Fund has informed UNIDO of its willingness to contribute funds (hereafter referred to as "the contribution") to UNIDO in order to co-operate and assist in project development and implementation comprising pre-investment studies and in other technical assistance measures. UNIDO shall apply only those considerations relevant to effective and economically efficient programmes and projects which are consistent with the criteria adopted by the Parties and guidelines adopted by the Executive Committee.

The contributions referred to in paragraph A.1 below shall be utilized to finance projects which UNIDO, with the concurrence of both the Executive Committee and the Party concerned operating under paragraph 1 Article 5 of the Protocol, deems appropriate. UNIDO is prepared, through a Special Account established under its financial regulations and rules, to receive and administer the afore-said contributions under the terms of this Agreement and in accordance with UNIDO's financial regulations and rules.

NOW THEREFORE, UNIDO and the Executive Committee hereby agree as follows:

#### A. Financial Provisions

1. UNIDO shall establish a Special Account in accordance with its financial regulations and rules and administrative instructions or directives for the receipt and administration of the afore-said contribution, including interest accruing. Accordingly, personnel shall be engaged and administered; equipment, supplies and services purchased; and contracts entered into in accordance with such regulations, rules and directives.

2. The Executive Committee shall place at the disposal of UNIDO the contributions to a Special Account for agreed activities. To this effect, the Executive Committee shall transfer the agreed amounts in fully convertible currencies for each activity in full, on approval, to the UNIDO/OPF Dollar Account Number 0422-01004/00, Creditanstalt Bankverein, Vienna International Centre, A-1400 Vienna, Austria.
3. All financial accounts and statements shall be expressed in United States dollars, and there shall be no accounting or reporting in other currencies. For the purpose of recording receipts and/or payments, all transactions shall be converted into United States dollars at the official United Nations rate of exchange applicable on the date of receipt and/or payment.
4. The contributions shall be utilized by UNIDO for the purpose of meeting the costs of the projects as set out in the relevant project documents and work programmes as well as the costs of support services relating thereto as specified in paragraph 5 below.
5. The Special Account shall be charged with a percentage of all project expenditures made from the Special Account which shall, in accordance with UNIDO regulations, rules and directives, be utilized by UNIDO and would include other support services as required. The amounts required, as well as agency support costs, shall be specified in the approved project documents and work programmes.
6. Any interest income derived from contributions to the Special Account shall be credited to the Special Account in accordance with the financial regulations, rules and directives of UNIDO.
7. The Special Account shall be administered by UNIDO in accordance with UNIDO regulations, rules and directives, applying its standard procedures for the execution of its projects. Project management and expenditures shall be governed by the regulations, rules and directives of UNIDO.
8. The implementation of the responsibilities of UNIDO pursuant to this Agreement and the relevant project documents and/or work programmes will depend on the timely receipt by UNIDO of the contribution in accordance with paragraph 2 above. The Executive Committee undertakes to meet the actual costs of the services approved by UNIDO in accordance with this Agreement and the work programme. UNIDO shall commence and continue to implement projects only on receipt of a sufficient contribution.
9. The aggregate of the amounts budgeted for the projects and work programmes shall not exceed the total resources available under this Agreement.
10. If UNIDO considers that changes between the components and/or budget lines in the projects or work programme are necessary in order to meet the objectives of the project

concerned, UNIDO may effect such changes, provided the total amount of the project budget in the projects or work programme is not exceeded.

11. If the contribution-payments referred to in Paragraph 2 above are not received in accordance with the payment schedule as specified in the work programme, or if the additional financing required in accordance with paragraph 10 above is not forthcoming from the Executive Committee or other sources, the assistance to be provided pursuant to this Agreement may be reduced, suspended or terminated by UNIDO. No commitments shall be made by UNIDO prior to the receipt of these contribution-payments.
12. Income not spent in a budget year may be carried forward from one year to the next within the financial validity of this Agreement.
13. The accounts shall be subject exclusively to the internal and external auditing procedures provided in the financial regulations, rules and directives of UNIDO.
14. UNIDO reserves the right only to accept a regional or eligible bilateral contribution under the Fund, by a country not operating under paragraph 1 of Article 5, where the provided services can be effectively utilized by the recipient country.
15. At the specific request of the recipient countries operating under paragraph 1 of Article 5 of the Protocol, and when technically justified, eligible in-kind support can be provided in the form of expert personnel, technology, technical documentation and training under projects or programmes implemented by UNIDO. Such inputs shall be incorporated in the relevant project documents.
16. UNIDO shall notify the Chief Officer of the Fund Secretariat and the Executive Committee when all activities relating to the purposes for which the Special Account was established have been completed.
17. Notwithstanding the completion of the projects financed from the Special Account, UNIDO shall continue to hold unutilized contribution-payments until all commitments and liabilities incurred in implementation of the projects have been satisfied and project activities brought to an orderly conclusion.
18. If the unutilized contribution-payments are insufficient to meet such commitments and liabilities, UNIDO shall notify the Chief Officer of the Fund Secretariat and will consult both with the Chief Officer and the Executive Committee on the manner in which such commitments and liabilities may be satisfied.
19. UNIDO shall notify the Executive Committee when the purposes for which the contributions were provided have been realized and the approved projects have been operationally completed.

20. In the event of termination of this Agreement, UNIDO shall continue to hold unutilized contribution-payments until all commitments and liabilities incurred in implementation of the projects and programmes have been satisfied and project and programme activities brought to an orderly conclusion.
21. Any contribution-payments that remain unexpended after such commitments and liabilities have been satisfied shall be transferred to the Executive Committee through the Chief Officer of the Fund Secretariat. Thereafter UNIDO's responsibilities under this Agreement shall be considered terminated.

B. Operational Procedures

22. As specified by the Parties and on the invitation of the Executive Committee, UNIDO shall consult regularly with the other implementing agencies and, in particular, with UNDP, the World Bank and UNEP to facilitate programme coordination and prevent duplication of activities.
23. UNIDO as requested by the Executive Committee, in the context of projects developed to facilitate compliance with the Protocol will co-operate with and assist the Parties within its respective areas of expertise.
24. UNIDO, jointly with the Fund Secretariat and other implementing agencies, shall co-operate with the Parties to provide information on funding available for relevant projects, to secure the necessary contacts and to co-ordinate, when requested by the interested Party, projects financed from other sources with activities financed under the Protocol.
25. The financing of activities or other costs, including resources channelled to third party beneficiaries, shall require the concurrence of the recipient Government concerned. The recipient Government shall be fully associated with the planning of the projects and programmes.
26. The annual UNIDO work programme under this Agreement, including proposed budgets, will be submitted through the Chief Officer of the Fund Secretariat to the Executive Committee for approval. Upon approval of the work programme by the Executive Committee, UNIDO shall implement projects in accordance with the work programme and, as appropriate, in accordance with the legal arrangements to be concluded between UNIDO and the recipient governments.
27. In the design and selection of projects UNIDO will follow the Executive Committee's criteria for project eligibility and its guidelines for the implementation of activities supported by the Fund.

28. The Executive Committee will assess and, where applicable, approve those project proposals or group of project proposals formulated by UNIDO independently or by UNIDO in co-operation with other Implementing Agencies, and, where the agreed incremental costs exceed US \$500,000.

29. The Executive Committee will review any disagreement by a Party operating under paragraph 1 of Article 5 with any decision taken with regard to a request for financing of a project or projects where the agreed incremental costs are less than US \$500,000 and where UNIDO is involved in whole or in part as an implementing agency.

C. Ownership and Disposal of Property

30. Ownership of equipment, supplies and other property financed from the contribution shall vest in UNIDO for the duration of the specific project or programme activity. Following operational completion of the project, the ownership shall be transferred to the appropriate institution or agency in the recipient country in accordance with the relevant policies and procedures of UNIDO, taking into account recommendations that may be received from the Chief Officer of the Fund Secretariat.

D. Participation at Meetings

31. The Director-General of UNIDO, or his designated representative, will participate as appropriate in meetings of the Executive Committee to report and consult on UNIDO's activities under these arrangements.

E. Reports

32. As approved by the Executive Committee and in accordance with UNIDO accounting and reporting procedures, UNIDO shall submit to the Executive Committee through the Fund Secretariat the following reports:

- a) semi-annual progress reports on substantive project activities;
- b) an annual progress report on implementation of activities of prior approved projects and work programmes;
- c) an annual financial statement on the overall status of the Donor's contributions, supported by delivery reports for each project financed from the Special Account;

- d) a revision of the current year's budget, where necessary, and the following year's project budgets and work plans;
  - e) a final report including assessment of the results achieved, upon operational completion of the projects;
  - f) a final financial report on the implementation of the completed projects, within six months of the end of the year in which the final disbursement was made on account of the projects.
33. UNIDO shall contribute to an annual report to be prepared by the Fund Secretariat on the inter-agency work programme and co-ordination of activities.
34. The Executive Committee will review periodically performance reports on UNIDO's implementation of activities supported by the Fund and will monitor and evaluate expenditures incurred. The Executive Committee will transmit its findings to UNIDO for comment and follow-up.

F. Settlement of Disputes

35. Any dispute, controversy or claims between the Parties to this agreement, arising out of, or in connection with, this Agreement or any breach thereof shall, unless it is settled by direct negotiation, be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The Executive Committee and UNIDO agree to be bound by any arbitration award rendered in accordance with this section as the final adjudication of any dispute.

G. Amendments or Termination of the Agreement

36. The present arrangements may be amended by agreement in writing between the Executive Committee and UNIDO.
37. These arrangements will terminate at the option of either the Executive Committee or UNIDO upon six months written notice. The financial provisions governing termination of the Agreement are specified in paragraphs 20 and 21 above.

H. Effective Date of Agreement

38. This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in two copies in English.

For the Executive Committee:

Signature: \_\_\_\_\_  
Juan Antonio Mateos C., Chairman

22 October 1992

For the United Nations Industrial  
Development Organization (UNIDO):

Signature: \_\_\_\_\_  
Dr. A. Tcheknavorian-Asenbauer, Director, IOT/DIO

22 October 1992

## ANNEX V

### REPORT BY THE CHAIRMAN OF THE EXECUTIVE COMMITTEE OF THE INTERIM MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

#### I. INTRODUCTION

1. In accordance with the terms of reference of the Executive Committee of the Interim Multilateral Fund for the Implementation of the Montreal Protocol, the Committee shall report annually to the Meeting of the Parties (Appendix II to Annex IV to the report of the Second Meeting of the Parties contained in document UNEP/OzL.Pro/2/3).
2. The Executive Committee held three meetings during the period under review. The Fifth, Sixth and Seventh Meetings were held in Montreal from 18 to 22 November 1991, 27 to 28 February 1992 and 23 to 26 June 1992 respectively. The reports of those Meetings are contained in documents UNEP/OzL.Pro/ExCom/5/16, UNEP/OzL.Pro/ExCom/6/12 and UNEP/OzL.Pro/ExCom/7/30 respectively.

#### II. POLICY MATTERS

3. Following the Fifth Meeting, an agreement was signed between the United Nations Environment Programme as the Treasurer of the Interim Multilateral Fund and the Executive Committee (UNEP/OzL.Pro/ExCom/5/4/Rev.2).
4. At its Fifth Meeting, the Executive Committee adopted the guidelines prepared by the Fund Secretariat for the presentation of country programmes (UNEP/OzL.Pro/ExCom/5/16, Annex III). These guidelines were distributed to all countries operating under paragraph 1 of Article 5, paragraph 1, and to the implementing agencies. The implementing agencies apply these guidelines when assisting Parties operating under Article 5, paragraph 1 to prepare their country programmes.
5. The Executive Committee also adopted guidelines for bilateral and regional contributions (UNEP/OzL.Pro/ExCom/5/16, Annex IV).
6. At its Seventh Meeting, the Executive Committee adopted a number of policy decisions on the basis of documents prepared by the Secretariat. These decisions which are annexed to the report of the meeting (UNEP/OzL.Pro/ExCom/7/30) include:
  - (i) Guidelines for presentation of projects and criteria for project approval (UNEP/OzL.Pro/ExCom/7/30, Annex III).
  - (ii) Guidelines for cost assessment of bilateral and regional activities (UNEP/OzL.Pro/ExCom/7/30, Annex IV).

- (iii) Whether or not support from the Fund could be given retroactively (UNEP/OzL.Pro/ExCom/7/30, Annex V). The Executive Committee decided that "the resources of the Fund may be extended to cover agreed incremental costs of projects that had not received prior approval by the Executive Committee provided that: (a) they were incurred by a paragraph 1 of Article 5 country subsequent to the date on which it became a Party to the Montreal Protocol, (b) they meet the eligibility criteria".
- (iv) Whether the Fund should finance activities related to enterprises that are wholly or partly owned by transnational corporations (UNEP/OzL.Pro/ExCom/7/30, Annex VI). The Executive Committee decided that "the Fund should not finance phase-out activities relating to enterprises that were wholly owned subsidiaries of transnational corporations or enterprises permitted to operate in "free zones" and whose output was for export only. Partial funding should be considered on a case-by-case basis to finance local share ownership of any given enterprise with the transnational corporation responsible for the rest. In such a case, funding could be provided as a percentage of project incremental costs proportionate to the local share ownership of the enterprise with the transnational corporation responsible for the rest. Subject to the approval of the Executive Committee, the same criteria should apply to bilateral assistance for activities involving subsidiaries of transnational corporations".
- (v) Whether or not the Fund should finance activities related to enterprises that are wholly or partly owned by countries that are not Parties to the Montreal Protocol (UNEP/OzL.Pro/ExCom/7/30, Annex VII). The Executive Committee decided that "funding should not be made available to finance activities related to enterprises that were wholly owned by countries that were not Parties to the Montreal Protocol. With regard to enterprises that were partly owned by non-Parties, partial funding could be considered on a case-by-case basis to finance the local share ownership of any given enterprise owned by a non-Party. In such a case, funding could be provided as a percentage of project incremental costs proportionate to the local share ownership of the enterprise with the non-Party responsible for the rest. Subject to the approval of the Executive Committee, the same criteria should apply to bilateral assistance for activities involving non-Parties".

7. The Executive Committee at its Seventh Meeting also considered and took note of documents prepared separately by the Secretariat and the World Bank on incremental costs and on institutional strengthening.

8. On incremental costs, the Executive Committee decided to consider the subject at a later stage. For the time being, it would follow the indicative list adopted at the Second Meeting of the Parties (UNEP/OzL.Pro/ExCom/2/3 Annex IV, Appendix I), but it would, in cases where the indicative list proved not to provide sufficient guidance, consult the two documents (UNEP/OzL.Pro/ExCom/7/21 and UNEP/OzL.Pro/ExCom/7/21/Corr.1;

UNEP/OzL.Pro/ExCom/7/Inf.4).

9. With regard to institutional strengthening, the Executive Committee decided that limited funding or assistance should be provided by the Fund for such activity since it might be an essential element in achieving the objectives of the Montreal Protocol. It adopted the following recommendations (UNEP/OzL.Pro/ExCom/7/30, paragraph 74, subparagraphs 1-4) based on the document prepared by the Secretariat (UNEP/OzL.Pro/ExCom/7/20):

- (i) Article 5 countries who request it be considered for support for institutional strengthening and that such considerations be made on their individual merits (case-by-case basis). In considering the requests on a case-by-case basis, the peculiar circumstances influencing ODS phase-out in the country should be considered together with the recommended funding level;
- (ii) The main objective of such support should be to provide necessary resources to an eligible country to enable it strengthen a mechanism within the country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country, as well as ensuring effective liaison between the country on the one hand, and the Executive Committee, the Fund Secretariat, and the implementing agencies on the other;
- (iii) Requests for institutional strengthening be considered as special projects subject to approval by the Executive Committee on the basis of a written request submitted by the interested Party. However, in order to avoid any possible delays in providing support to requesting countries, the implementing agencies may review and implement such requests within their work programmes, except where the funding requested exceeds US \$500,000, and report to the Executive Committee through the Fund Secretariat as and when such requests are approved for implementation;
- (iv) Requests for institutional strengthening be included in the country programme of the Party requesting such assistance. However, the requests for institutional support may be submitted separately as a free-standing project ahead of the country programme where circumstances demand.

It further recommended that institutional strengthening be dealt with on a case-by-case basis and with the necessary flexibility.

10. At its Seventh Meeting, the Executive Committee also discussed the need to expedite the process of disbursement of funds by the implementing agencies to Article 5, paragraph 1, Parties following its approval of investment projects over US \$500,000. It decided to establish a subcommittee to evaluate in greater detail the status of a representative sample of approved projects with a view to identifying barriers to speedy project implementation and to report back to the Eighth Meeting of the Committee with proposals for addressing these problems.

11. At the request of UNEP, the Executive Committee discussed its terms of reference and those of the Interim Multilateral Fund and recommended that no substantive changes should be made and that they should apply mutatis mutandis to the financial mechanism.

### III. IMPLEMENTING AGENCIES

12. The Executive Committee decided that, in order to ensure full coordination among the implementing agencies, their work programmes should be integrated into one consolidated document with the support of the Fund Secretariat, starting with the 1992 work programmes. The Executive Committee also decided that the implementing agencies should adopt a sector-based approach when developing their work programmes.

13. The work programmes of the implementing agencies, with the following budgets, were approved by the Executive Committee at its Sixth Meeting:

United Nations Development Programme	US \$3,554,395 <sup>1</sup>
United Nations Environment Programme	US \$1,921,000
World Bank	US \$2,275,000

14. The five regional development Banks and UNIDO have been invited to meetings of the Executive Committee. A representative of the Inter-American Development Bank attended the Fifth Meeting of the Executive Committee and a representative of the United Nations Industrial Development Organization attended the Seventh Meeting.

15. Friends of the Earth, a non-governmental organization, was represented at the Fifth, Sixth and Seventh Meetings.

### IV. COUNTRY PROGRAMMES

16. During the period under review, the Executive Committee disbursed US \$1,681,614 to UNDP, UNEP and the World Bank for the preparation of country programmes in 25 countries and approved the country programmes of Chile, Ecuador, Malaysia and Mexico, which are contained in documents UNEP/OzL.Pro/ExCom/7/8, Add.1 and Corr.1, UNEP/OzL.Pro/ExCom/6/6/Rev.1, UNEP/OzL.Pro/ExCom/6/4 and UNEP/OzL.Pro/ExCom/6/5 respectively.

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<sup>1</sup> This sum includes an additional US \$300,000 approved at the Seventh Meeting to UNDP to complete China's Country Programme and to purchase halon recycling equipment for regional training.

## V. TECHNICAL ASSISTANCE AND TRAINING

17. During the period under review, the Executive Committee disbursed US \$4,494,395 to UNDP for demonstration projects, feasibility studies and training activities in 22 countries, as contained in the UNDP work programme and progress report (UNEP/OzL.Pro/ExCom/6/3 and UNEP/OzL.Pro/ExCom/7/5 respectively). The major efforts of these activities were directed toward preinvestment and training projects in the aerosol, refrigeration, foam, solvent and halon sectors.

18. The Executive Committee also approved US \$1,680,000 for UNEP activities. The major areas covered were information exchange through the computerized clearing-house system, the OzonAction newsletter, training manuals, technical brochures and other publications and training through regional workshops.

## VI. PROJECTS

19. The Executive Committee approved the following project proposals representing a total amount of US \$27,221,000 for the phase out of approximately 25,000 tonnes of ozone-depleting substances (ODSs) distributed as follows:

<u>Country</u>	<u>Project Cost (US \$)</u>
Brazil	2,930,000
Chile	1,206,000
China	9,990,000
Ecuador	400,000
Egypt	1,500,000
Jordan	1,500,000
Malaysia	1,630,000
Mexico	4,000,000
Thailand	1,000,000
Tunisia	800,000
Turkey	965,000
Venezuela	1,300,000

## VII. INFORMATION

20. The Executive Committee decided that its decisions and reports should be transmitted to countries operating under paragraph 1 of Article 5 which were not members of the Committee, together with all other additional information, and decided that UNEP's Industry and Environment Programme Activity Centre in Paris constituted a suitable vehicle for this purpose. The Executive Committee also encouraged the aforementioned countries to prepare country programmes.

21. The Industry and Environment Programme Activity Centre would prepare a users' manual on access to the OzonAction Information Clearing-House (OAIC) for submission to the Fourth Meeting of the Parties. The Executive Committee was also informed that future training activities would include a programme on the use of the computerized OAIC system.

## VIII. FINANCIAL MATTERS

22. The status of contributions<sup>2</sup> on 30 June 1992 stood at US \$45,875,013.48. This was made up of contributions for 1991 of US \$39,144,928 (against a total pledge of US \$53,320,777) and US \$6,730,085.48 for 1992 (against a total pledge of US \$73,339,613). Disbursements amounted to US \$48,072,487.48. The Executive Committee noted with regret that many countries had not fulfilled their pledges and it urged them to do so without delay.

23. In the light of ratification of the Montreal Protocol by more countries, the Fourth Meeting of the Parties will be called upon to revise the amount of contributions accordingly.

24. At its Seventh Meeting, the Executive Committee discussed the magnitude of the Fund required for the period 1994 to 1996 and transmitted the relevant Secretariat document to the Open-Ended Working Group of the Parties. The Secretariat estimated that the requirements for the Fund for the next three-year period would amount to approximately US \$480 to \$620 million (UNEP/OzL.Pro/ExCom/7.30, Annex VIII).

25. In accordance with the guidelines for bilateral and regional contributions adopted at the Fifth Meeting, the Executive Committee approved the following requests to credit bilateral assistance against contributions to the Fund, amounting to a total of US \$537,772.48:

Australia	US \$39,394 (against 1992 contributions)
Germany	US \$18,378.48 (against 1992 contributions)
United States of America	US \$480,000 (against 1991 contributions)

26. Other countries not operating under Article 5, paragraph 1, expressed their intention to seek approval to credit bilateral and regional assistance against their contributions up to the approved ceiling of 20 per cent.

27. Pursuant to the decision taken at its Third Meeting, the Executive Committee approved at its Fifth Meeting a revised estimated budget of US \$2,752,390 for the Secretariat for 1992.

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<sup>2</sup> These amounts include bilateral assistance credited to the contributions of USA (1991) and Australia and Germany (1992) (see paragraph 25).

## IX. FUND SECRETARIAT

28. The Secretariat comprises eight professional staff, including the Chief Officer, and seven General Service staff.

During the period under review, the Secretariat carried out the following tasks inter alia:

- prepared all the policy papers considered by the Executive Committee;
- undertook all the preparations for meetings of the Executive Committee and subcommittees since March 1991;
- made presentations at and participated in three regional workshops organized by UNEP, with support from the Fund, in Egypt, Thailand and Venezuela;
- made a presentation at and participated in a major workshop organized by the Chinese National Environmental Protection Agency; and held discussions on the China Country Programme with Officials of the Government of China.
- participated in the sixth and seventh meetings of the Open-Ended Working Group of the Parties;
- evaluated country programmes and projects and prepared recommendations thereon for action by the Executive Committee;
- monitored implementation by implementing agencies and prepared comments on their work programmes and progress reports;
- monitored bilateral assistance to Article 5 countries;
- communicated the Executive Committee's decisions to Article 5 countries in which activities were being undertaken by one or more implementing agencies;
- maintained liaison between the implementing agencies, Article 5 countries and the Executive Committee;
- co-ordinated meetings with the implementing agencies.