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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-second Meeting
Nairobi, 28-30 May 1997
SUB-COMMITTEE ON MONITORING, EVALUATION AND FINANCE

REPORT OF THE SUB-COMMITTEE ON MONITORING, EVALUATION AND FINANCE

Introduction

1. The Sub-Committee on Monitoring, Evaluation and Finance of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol met in Nairobi from 27 to 29 May 1997.

AGENDA ITEM 1: OPENING OF THE MEETING

2. The meeting was opened by the Chairman of the Sub-Committee, Mr. James Shevlin (Australia), who welcomed the participants to the first meeting of the new Sub-Committee. He said that the creation of the Sub-Committee by Decision 21/35 of the Twenty-first Meeting of the Executive Committee marked a new phase in the Fund's existence by recognizing the need to focus attention on the implementation of approved projects, particularly with the approach of the 1999 freeze. In particular, the Chairman noted that the Sub-Committee's work would help the Executive Committee to maximize the effectiveness of the Multilateral Fund by drawing on the lessons learned in implementing projects so far.

AGENDA ITEM 2: ADOPTION OF THE AGENDA

3. The Sub-Committee adopted the following agenda:

1. Opening of the meeting.

2. Organizational matters:

   (a) Adoption of the agenda;

   (b) Organization of work.

3. Role of the Sub-Committee on Monitoring, Evaluation and Finance, including terms of reference.

4. Progress reports of the implementing agencies.

5. Summary status report on ODS phase-out for Article 5 countries.

6. Cycle of business planning and the submission of work programmes.

7. Evaluation of 1996 business plans of the implementing agencies.

8. 1997 business plans of the implementing agencies.

9. Three-year (1997-1999) business plan of the Multilateral Fund.

10. Standardized criteria for monitoring and evaluation.

11. Draft work programme for monitoring and evaluation, and proposed work plan of evaluations.

12. Other matters.

AGENDA ITEM 3. ROLE OF THE SUB-COMMITTEE ON MONITORING, EVALUATION AND FINANCE, INCLUDING TERMS OF REFERENCE

4. Pursuant to the decisions taken by the Executive Committee, the Sub-Committee recalled that its role was to review the experience gained in implementing projects, the overall progress in meeting the Fund's objectives, the business plans of the implementing agencies and the three-year rolling business plan of the Multilateral Fund; to identify problems and lessons learned; and to recommend appropriate actions for the consideration of the Executive Committee. The role of

the Sub-Committee included reviewing and assessing the existing financial arrangements and procedures, and recommending modifications, where appropriate.

5. The Sub-Committee agreed to re-examine its terms of reference at its next meeting.

AGENDA ITEM 4: PROGRESS REPORTS OF THE IMPLEMENTING AGENCIES

6. The Sub-Committee discussed the following issues that had been identified in the progress reports of the implementing agencies and recommended solutions for the consideration of the Executive Committee:

Slow disbursement and delays in project implementation

7. The Sub-Committee expressed its concern at the slow rate of disbursement and the lack of activity in certain projects and agreed to recommend the following action to the Executive Committee:

(a) Where no disbursement had occurred 18 months after the date of approval of a project, a full explanation of the reason for the delay should be submitted by the implementing agencies to the next meeting of the Executive Committee for review. These reports should contain the comments received from the Article 5 countries and enterprises concerned;

(b) Where a project had not been completed 18 months after the prescribed completion date, a full explanation of the reason for the delay should also be submitted by the implementing agencies to the next meeting of the Executive Committee for review. These reports should contain the comments received from the Article 5 countries and enterprises concerned;

(c) The Executive Committee should review the reports on a case-by-case basis and decide upon the action required, including where appropriate possible penalties or assistance;

(d) On the basis of the experience gained through consideration of these reports, the Executive Committee should consider the development of guidelines to ensure that the project preparation process included measures to prevent any delays in implementation or completion in the future.

Counterpart funding

8. The implementing agencies explained the difficulties encountered in obtaining counterpart funding and the action taken to resolve the problem. The Sub-Committee agreed to recommend the following action to the Executive Committee:

(a) Prior to submission of projects that required counterpart funding, implementing agencies should seek a commitment from the relevant enterprise(s) that they would provide the required counterpart funding;

(b) For projects approved at the level of funds requested, implementing agencies should provide the Executive Committee with a clear indication that the enterprise(s) concerned had given this commitment on counterpart funding;

(c) For projects for which no commitment on counterpart funding had been obtained and projects for which a significant reduction in the funding requested was being recommended by the Secretariat, the project should receive provisional approval subject to the commitment being obtained and the implementing agencies should approach the enterprise(s) concerned to obtain this commitment;

(d) When the Secretariat received an assurance of the relevant commitment, the provisionally approved projects could proceed.

9. The Sub-Committee agreed that the following additional reasons for delays in implementation should be discussed at its next meeting:

- Changes in project specification by the beneficiary;
- Enterprises refrained from implementing their projects until their competitors' projects had been approved or government regulations had been enacted;
- The bidding process resulted in higher costs;
- The difficulty of obtaining agreements on the transfer of technology;
- Prolonged contract negotiations;
- Changes in technology;
- Completion of grant agreements;
- Differences in appraised tonnage.

UNEP budget overruns

10. While expressing its concern at the budget overrun, the Sub-Committee, bearing in mind that Decision 17/22 of the Executive Committee prohibited budget overruns, agreed to recommend to the Executive Committee that, as an exceptional measure, UNEP should be allowed to offset its budget overrun for 1995 against its underrun for the same year.

AGENDA ITEM 5: SUMMARY STATUS REPORT ON ODS PHASE-OUT FOR ARTICLE 5 COUNTRIES

11. The Sub-Committee agreed that the summary status report on ODS phase-out for Article 5 countries (UNEP/OzL.Pro/ExCom/22/13) was a very useful document for the Executive Committee and the Sub-Committee in understanding progress to date and determining appropriate further action. The Sub-Committee agreed to recommend to the Executive Committee that the report be updated on an annual basis. To improve the usefulness of the document, the Sub-Committee also recommended that further status reports should include information on both CFC production and consumption, CFC freeze level data on the basis of the 1995-1997 baseline, and information on halon production and consumption. It was also important to have general information on overall economic growth.

12. The Sub-Committee also recommended to the Executive Committee that Article 5 Parties should be strongly encouraged to provide their own assessment of whether they would be able to meet the 1999 freeze. The Secretariat, working with the implementing agencies, should develop and distribute a questionnaire seeking that assessment from Article 5 Parties.

13. The Sub-Committee drew attention to the fact that a number of countries had not yet received assistance and, if this situation were to continue, it was highly unlikely that they would be able to meet the freeze. The Sub-Committee noted that assistance would have to be provided to these Parties and recommended that the implementing agencies be requested to increase their focus on these Parties all of which were low-volume consuming countries (LVCs).

AGENDA ITEM 6: CYCLE OF BUSINESS PLANNING AND SUBMISSION OF WORK PROGRAMMES

14. The Sub-Committee had before it document UNEP/OzL.Pro/ExCom/22/SC-MEF/3.

Removal of the linkage between the term of office of the Executive Committee and the date of the Meeting of the Parties

15. In order to allow more stability and better planning in the operations of the Multilateral Fund, the Sub-Committee agreed to recommend to the Executive Committee that, beginning with

the current year, the term of office of the Executive Committee be a calendar year, thus removing the direct linkage with the date of the Meeting of the Parties at which the new composition of the Executive Committee was decided. This would ensure that the term of office of each Executive Committee was of equal length and would be consistent with the normal practice in other United Nations bodies.

Timing and work programme of meetings of the Executive Committee

16. The Sub-Committee agreed to recommend to the Executive Committee that it should hold three meetings a year. The Executive Committee should, however, retain the flexibility to take advantage of the opportunity provided by other Montreal Protocol meetings to convene additional meetings where special circumstances made this desirable.

17. The Sub-Committee discussed the work programme for the three meetings and agreed to recommend to the Executive Committee the adoption of the calendar of meetings and the work programme attached as Annex I.

Possible implications for the Twenty-third Meeting

18. After discussing whether or not to recommend the convening of an Executive Committee meeting in conjunction with the Meeting of the Parties in September 1997, the Sub-Committee agreed that the new schedule of meetings should be put into effect as soon as possible and therefore decided to recommend to the Executive Committee that it should hold its Twenty-third Meeting in late November or early December 1997 in accordance with the new schedule. In making this recommendation, the Sub-Committee noted that there might be value in holding a special meeting of the Sub-Committee back-to-back with the Meeting of the Parties. Such a meeting would enable further progress to be made in examining the delays experienced in project implementation.

Annual progress reports

19. The Secretariat explained that it would be preferable to receive one annual progress report containing actual data rather than two reports a year, one of which only contained estimated data.

20. Following a discussion, the Sub-Committee agreed to recommend the following action to the Executive Committee:

(a) Implementing agencies should be requested to submit a single annual progress report in accordance with the revised calendar of meetings and work programme;

(b) Implementing agencies could submit updates of their reports where these concerned significant matters raised during discussion of the progress reports themselves;

(c) The annual progress reports should be submitted by 1 May each year or at least eight weeks before the subsequent meeting of the Executive Committee, whichever was the earlier.

AGENDA ITEM 7: EVALUATION OF 1996 BUSINESS PLANS OF THE IMPLEMENTING AGENCIES

Due to lack of time, there was no discussion under this item.

AGENDA ITEM 8: 1997 BUSINESS PLANS OF THE IMPLEMENTING AGENCIES

Situations where there had been a low level of disbursement in certain countries.

21. The Sub-Committee noted that the low level of disbursement in certain countries was an area of concern and agreed to recommend to the Executive Committee and the Sub-Committee on Project Review that they should take this concern into account when considering future project preparation and approval for those countries.

Delivery of targets required approval of policy guidelines

22. The Sub-Committee encouraged the implementing agencies to develop contingency portfolios of projects that could replace projects awaiting the adoption of policy guidelines if the necessary guidelines had not been adopted by the end of 1997.

23. The Sub-Committee recommended that the Executive Committee address the issue of policy guidelines as expeditiously as possible.

A number of LVCs had received no funding

24. The Sub-Committee expressed strong concern regarding this issue and requested that implementing agencies give priority to these countries in the future and, if funds were available, during 1997.

Levies, taxes and duties on equipment funded by the Multilateral Fund

25. As there had been instances where Article 5 governments had levied taxes on equipment funded by the Multilateral Fund, the Sub-Committee recommended that the Executive Committee reiterate the decision of its Tenth Meeting that no such taxes would be financed by the Multilateral Fund, urge all Article 5 States to exempt from taxes any equipment bought under the Multilateral Fund and urge the implementing agencies and Secretariat to pursue their efforts to resolve this problem and work with relevant countries to resolve any outstanding problems, including, if appropriate, an exchange of letters.

Format for the preparation of business plans

26. Noting that several implementing agencies had not followed the format for the preparation of business plans, the Sub-Committee recommended that the Executive Committee decide that future business plans would not be approved if not presented in the prescribed format.

Sectoral priorities

27. There was discussion on the suggestion of UNIDO that setting sectoral priorities would assist the operations of the implementing agencies. However no agreement was reached, some concerns being expressed about pursuing such a path, bearing in mind that priorities would tend to differ for each country.

Methyl bromide projects

28. The Sub-Committee noted that there was $10 million in the 1997 business plan for methyl bromide demonstration projects, over the next three years, $3 million of which was earmarked for 1997, $4 million for 1998, $3 million for 1999, but there was a possibility that the 1997 allocation would be exceeded. The Sub-Committee was of the opinion that it would be acceptable to exceed the $3 million for 1997 if necessary.

29. The Sub-Committee agreed to forward the following policy issues, which had been identified in the implementing agencies' 1997 business plans, to the Executive Committee for its consideration:

(a) The need to balance the following compelling needs:

  (i) Assisting countries to meet the 1999 freeze targets;

  (ii) A more aggressive approach to the needs of SMEs; and

  (iii) The need to complete sectoral/sub-sectoral phase-out programmes to maintain the successful momentum;

(b) The overall approach and integrated phase-out plan for country programme implementation in LVCs;

(c) Monitoring and evaluation guidelines for institutional strengthening projects;

(d) Simplified templates for country programmes in VLVCs;

(e) Cost-effectiveness thresholds for small-scale investment projects;

(f) Completion of the equipment cost database;

(g) Guidelines for the production sector;

(h) Guidelines for retrofitting projects in the commercial refrigeration sub-sector;

(i) Incremental operating costs for compressor projects;

AGENDA ITEM 9: THREE-YEAR BUSINESS PLAN OF THE MULTILATERAL FUND

30. The Sub-Committee considered the three-year (1997-1999) business plan of the Multilateral Fund (Revised) (UNEP/OzL.Pro/ExCom/22/12) and agreed to recommend that the Executive Committee endorse the targets for ODS approvals and expenditures for the triennium, taking into consideration the following elements:

(a) The Multilateral Fund, in 1997 and the first half of 1998, would give priority to approving projects with the highest ODP value and short implementation duration for countries that had yet to meet their freeze obligations. This would allow these projects to be implemented before 1 July 1999 in order to curtail the ODS consumption growth in these countries;

(b) The Fund would continue to provide funding for all ODS consumption sectors to enable all Article 5 countries to maintain the momentum of phase-out according to the strategies in their country programmes;

(c) Halon would continue to receive high priority due to its high ODP value and cost-effectiveness. This would include consideration of the first sectoral phase-out programme from an Article 5 country in the halon sector;

(d) The Fund would continue the practice of setting up a special allocation for LVCs. Implementing agencies should be encouraged to target funds to assist these countries;

(e) Funding of closure projects in the production sector would be considered during this triennium. Considering that the guidelines for shutting down ODS production facilities would be ready in 1997, and project formulation would be under way in the same year, allocations for the production sector would be made in 1998 and 1999.

AGENDA ITEM 10: STANDARDIZED CRITERIA FOR MONITORING AND EVALUATION

31. The Sub-Committee considered the proposals of the Secretariat and the implementing agencies for performance indicators intended to provide a basis for the evaluation of the performance of the implementing agencies, prepared in response to Decision 21/5 (d) (UNEP/OzL.Pro/ExCom/22/14). It agreed that indicators for non-investment projects should include more outcome-focused indicators and that those for investment projects should be set out in absolute and relative terms. Noting that there would be an opportunity to consider the matter further at a later date, it agreed to recommend that the Executive Committee approve the indicators in the document, on an interim basis for use in 1997 and noted that there was potential for improvement in the indicators. The Sub-Committee also noted concerns expressed regarding the need to evaluate the performance of all players, including the Secretariat, in the project approval and implementation process.

AGENDA ITEM 11: DRAFT WORK PROGRAMME FOR MONITORING AND EVALUATION, AND PROPOSED WORK PLAN OF EVALUATIONS

32. The Secretariat introduced documents UNEP/OzL.Pro/ExCom/22/SC-MEF/2, Corr.1 and Add.1.

33. The Sub-Committee agreed on some minor amendment to deliverable 1. With reference to deliverable 5, it noted that one of the milestones for monitoring should be the date of dismantling or destruction of equipment. It decided to recommend to the Executive Committee the adoption of deliverables 1, 2, 4 and 5.

[Deliverable 3 pending]

[Work plan pending]

34. The Sub-Committee reviewed the draft evaluation work plan 1997/98 (UNEP/OzL.Pro/ExCom/22/SC-MEF/2/Add.1) prepared in response to Decision 21/36 of the Executive Committee. It agreed to the proposed output 1: Evaluation guide for investment projects and non-investment projects. As it would help develop standardized procedures for subsequent evaluations, the Sub-Committee considered that it should be undertaken first and

requested that it be submitted to the Sub-Committee's next meeting for review of the evaluation questions to be used for the subsequent evaluations. The Sub-Committee emphasized that evaluations should include the question of disbursements and also the role of the various actors in the monitoring system.

35. Reviewing Output 2: Evaluations of completed projects in the foam sector, and Output 3: Evaluation of completed projects in the refrigeration sector, the Sub-Committee agreed that the two evaluations should be conducted in sequence, with that for refrigeration being taken up first. It was agreed that the evaluations, which were part of the whole monitoring and evaluation process that was now in place, should review the involvement of all stakeholders in working towards the Fund's objectives.

36. The Sub-Committee noted that Output 4: Non-investment project evaluation was intended to complement the two evaluations in the investment sectors. It considered that the evaluation should focus on a limited number of specific activities and agreed that those be (1) training activities and (2) institutional strengthening.

37. The Sub-Committee noted Decision 21/36 by which the Executive Committee agreed to a modest strengthening of the Secretariat and agreed to recommend to the Executive Committee that this strengthening of capacity should be sufficient to enable the Secretariat to perform monitoring and evaluation on a continuous basis, through the development of a monitoring and evaluation system and database, the coordination, supervision and carrying out of monitoring and evaluation studies and assignments, and the establishment of a monitoring and evaluation post within the Secretariat whose incumbent would report directly to the Sub-Committee and/or the Executive Committee and be responsible for the coordination of all monitoring and evaluation activities.

In regard to the level of resources for this activity, the Sub-Committee recommended that 12 person months would be appropriate.

38. The Sub-Committee considered the proposed budgets contained in appendices 1-4 to document UNEP/OzL.Pro/ExCom/22/SC-MEF/2/Add.1. The Sub-Committee noted the concerns expressed by the implementing agencies, with the exception of the World Bank, that they would be unable to cover the costs of external consultants for evaluation under their 13 per cent support costs. The Sub-Committee, however, strongly disagreed and considered that the cost of agency participation in the evaluation exercise should be covered by their support costs. The Sub-Committee also noted that the phased evaluation recommended would probably take longer than the one-year period envisaged.

39. The Sub-Committee agreed to recommend to the Executive Committee that the proposed budgets should be adjusted to reflect the changes to the Secretariat personnel (Annex II).

AGENDA ITEM 12: OTHER MATTERS

Duration of the meeting of the Sub-Committee

40. The Sub-Committee observed that the allotted time for its meeting had not been sufficient to give due attention to all items on its agenda and recommended to the Executive Committee that it be allotted more time in future.

Annex I

Proposed calendar of meetings and work programme for the Executive Committee

Mtg. No	Timing	Interval from previous mtg.	Work to be done in the interval	Agenda	Funds available
1st	First half of March	3 months	Revise draft business plans. Finalize work programmes. Prepare policy papers	Approve projects Review/approve policy papers Approve revised business plans. Approve work programmes. Review status of phase-out	
2nd	End of June/ early July	4-5 months	Project development. Policy paper preparation. Progress report preparation. Preparation of evaluation of previous year's business plans. Project implementation	Approve projects. Review/approve policy papers, Review progress reports. Review previous year's business plan performance Review status of phase-out.	
3rd	Late November/first half of December	4-5 months	Project development. Policy paper preparation. Draft business plan preparation. Prepare necessary elements of agencies' work programmes	Approve projects. Review/approve policy papers. Approve draft business plans. Approve necessary and non-contentious elements of agencies' work programmes.	

Annex II
Proposed budget

Item	Person/month (P/m)	Cost (US $)
Personnel		
Staff (additional)	12 p/m	100,000
Consultancy	18 p/m	216,000
Sub-total Personnel	30	316,000
Travel		
Staff (additional)		20,000
Consultancy		85,000
Sub-total Travel		105,000
Equipment		20,000
Reporting		9,000
Miscellaneous		11,000
Total	30	461,000