

Annex II

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

I. INTRODUCTION

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

II. PARTICIPATION

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

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

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

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

III. SECRETARIAT

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

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

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

IV. RULES OF PROCEDURE

13. At its first meeting, the Executive Committee decided that the Rules of Procedure for Meetings of the Parties to the Montreal Protocol should apply mutatis mutandis to the first meetings of the Executive Committee with the provision that observers would only be invited upon request by the Executive Committee. At its third meeting the Executive Committee approved Rules of Procedure for Meetings of the Executive Committee on a provisional basis for submission to the Third Meeting of the Parties for endorsement (UNEP/OzL.Pro/ExCom/3/6/Rev.4).

V. FINANCIAL QUESTIONS

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

14. At its first meeting, the Executive Committee requested the Executive Director of UNEP to secure the approval of the United Nations Secretary-General to the establishment of the Interim Multilateral Ozone Fund in accordance with the financial rules and regulations of the United Nations and to its administration by the Executive Director of UNEP. The account established by UNEP receives contributions to the Fund and makes transfers from it according to directions provided by the Executive Committee. UNEP informed the Executive Committee that no additional charge would be levied for operating as "treasurer" of the Fund and that all associated costs would be covered by its overhead charge assessed against the funds it receives in its role as one of the implementing agencies.

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

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

V.2. Budgets

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

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

V.2.1 Revised Budget for the Fund Secretariat for 1991

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

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

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

V.2.2 Three-year Budget for the Fund Secretariat

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

V.2.3 Budget for Fund Operations

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

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

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

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

VI. IMPLEMENTATION GUIDELINES AND CRITERIA FOR PROJECT SELECTION

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

VII. COUNTRY PROGRAMMES

27. According to Implementation Guidelines and Criteria for Project Selection approved by the Executive Committee, the Committee shall invite each party operating under paragraph 1 of Article 5 and wishing to receive support from the Multilateral Fund to develop a country programme and projects in accordance with paragraph 10 (g) of the terms of reference of the Executive Committee. A country programme approved by the Executive Committee shall serve as a basis for project preparation and further co-operation between the Party and the implementing agencies. However, individual projects prepared prior to the completion of a country programme shall also qualify for funding if consistent with the project eligibility criteria. Updated country studies containing the elements requisite for a country programme shall constitute a country programme.

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

VIII. IMPLEMENTATION OF THE FUND

29. At its first meeting, the Executive Committee invited the Implementing Agencies (UNEP, UNDP and the World Bank) to co-operate with and assist the Parties within their respective areas of expertise in the context of country programmes. The Executive Committee furthermore invited the Implementing Agencies to develop an inter-agency agreement and specific agreements with the Executive Committee acting on behalf of the Parties.

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

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

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

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

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

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