

ANNEX I

REPORT ON THE OPERATION OF THE FINANCIAL MECHANISM SINCE 1 JANUARY 1991

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EXECUTIVE SUMMARY

1. The Multilateral Fund for the Implementation of the Montreal Protocol represents a formal commitment by developed countries (donor countries) to help developing countries that are Parties to the Protocol (Article 5 countries) meet global environmental obligations and eliminate their production and consumption of ozone depleting substances (ODS).
2. The Multilateral Fund began formal operations in January 1991. At the Fourth Meeting held in Copenhagen in November 1992, the Parties requested that the Executive Committee prepare a descriptive report on the operation of the Financial Mechanism. The Parties asked the Executive Committee to submit this report to the Open-ended Working Group in August 1993.
3. In response, the Executive Committee has prepared this report to provide a clear understanding of the Fund's mode of operation and the challenges it faces in the months and years ahead. The report comprises the following four chapters:

The Structure of the Multilateral Fund

The Process

Progress

Issues Encountered, Resolved and Outstanding

The Structure of the Multilateral Fund

4. The Fund is administered by an Executive Committee which consist of 14 members, selected by the Parties, half from Article 5 countries and half from donor countries. Both the Chair and the Vice-Chair are chosen from the 14 members of the Executive Committee and serve for one year. One of the two officers represents the Article 5 countries and the other the remaining countries.
5. The Fund Secretariat provides the Executive Committee with administrative support. Located in Montreal, it consists of nine professional staff and nine support staff. In addition to the Chief Officer, the professional staff includes two Deputy Chiefs, a Fund and Administrative Officer, four Programme Officers and an Information Officer. The staff is broadly representative of the Parties with two staff members from Asia, two from Africa, one from North America, one from Latin America, and two from Europe.
6. Implementation of Fund sponsored projects is facilitated by the four Implementing Agencies: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization

(UNIDO) and the World Bank (WB). UNEP also acts as Treasurer for the Fund. The Implementing Agencies work with the Parties to prepare annual work programmes and project proposals. They present these to the Executive Committee for consideration and approval and participate in meetings of the Executive Committee as observers.

7. Countries that are eligible to receive funding to eliminate ODS are defined in Article 5 of the Protocol and are thus referred to as "Article 5 countries". As of 16 April 1993, the number of Article 5 countries stood at 72.

8. Contributions to the Fund are made by Parties not operating under Article 5 of the Protocol and are referred to as "donor countries". Contributions to the Fund are made on the basis of the adjusted United Nations scale of assessment, an index system based on country economic factors. A total of 36 countries have been identified as contributors to the Fund.

9. Initial capitalization of the Fund was set at US \$160 million for the three-year period 1991 through 1993. This Fund total was subsequently raised to US \$200 million in 1991 and to US \$240 million in 1992 with the ratification of more Article 5 countries.

The Process

10. The activities financed by the Multilateral Fund are presented for review and approval by the Executive Committee in three types of documents: agency work programmes, country programmes, and project proposals.

11. As per the agreement with the Executive Committee, the Implementing Agencies are required to prepare annual work programmes in consultation with and with the approval of the Article 5 countries concerned. Work programmes of the Implementing Agencies are consolidated into a single document by the Secretariat. Following approval by the Executive Committee, funds are released to the Implementing Agencies by the Fund Treasurer.

12. The country programme is a vehicle by which a country develops a strategy and an action plan for elimination of ODS. The action plan consists of regulatory measures, priority projects, a timetable and a budget. Once the country programme is completed, the Government concerned submits it to the Fund for consideration by the Executive Committee. Country programmes can be prepared by the countries themselves, or in co-operation with an Implementing Agency or through bilateral co-operation.

13. Opportunities for project proposals are often identified as a result of a national priority or during the preparation of a country programme. Generally, the country and the Implementing Agency collaborate on the development of the project proposal for submission to the Executive Committee. Project proposals are developed based on the extent of the ODS problem, the technology available and the cost-effectiveness of the technology.

14. All project proposals must meet the Executive Committee's specific information requirements for project preparation before they are considered by the Executive Committee. Once the project is approved, legal documents are signed by the Implementing Agency and the country. For larger investment projects, local institutions are often responsible for project appraisal and implementation over-view; the Implementing Agency's role is to monitor project implementation.

Progress

15. Despite typical growing pains associated with the start-up of any multinational organization, the Fund has made substantial progress during its first two years of operation. With regard to its administrative procedures and personnel, the Fund has hired and trained most of the staff it requires and has developed many of the procedures and processes needed to transact its business effectively and efficiently.

16. In terms of its primary mission, as of March 1993, the Fund had approved almost 300 activities in 45 developing countries. These include 53 investment and demonstration projects in sixteen countries expected to result in the elimination of an estimated 31,000 tonnes of ozone-destroying substances annually. As well, funding for the preparation of 44 country programmes had been authorized and disbursed, and of these, ten programmes had been approved. These country programmes account for the consumption of 69,000 metric tonnes of ODS. Nine additional country programmes are scheduled for consideration at the June 1993 Executive Committee Meeting. Other activities supported by the Multilateral Fund include 50 training programmes at regional and national levels, 47 technical assistance activities, regional workshops, and information exchanges organized around UNEP's OzonAction Clearinghouse.

Issues Encountered and Resolved, and Outstanding

17. The pace of activity is accelerating and the Fund is now at the stage where projects and programmes are moving swiftly through the approval process and into implementation. Major policy and operational issues, such as institutional strengthening and inter-agency co-ordination, have been addressed and resolved. Steps are being taken to deal effectively with issues still outstanding, such as incremental costs and in-kind contributions.

INTRODUCTION

18. The Fourth Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer requested the Executive Committee of the Multilateral Fund to submit, to the Open-ended Working Group of the Parties, a descriptive report on the operation of the Financial Mechanism since 1 January 1991. The Parties asked for the Executive Committee to submit this report to the Open-ended Working Group scheduled in August 1993. The same Decision also specifies that a separate evaluation and review of the Financial Mechanism should be conducted by 1995 (paragraph 4 of Decision IV/18).

19. In response the Executive Committee has prepared this report to provide a clear understanding of the Fund's mode of operation, and the challenges it faces in the months and years ahead.

20. The report comprises the following chapters:

The Structure of the Multilateral Fund: a brief description of the key players of the Multilateral Fund (i.e., the Executive Committee, the Fund Secretariat, the Implementing Agencies, Article 5 Countries and Donor Countries), as well as contributions to the Fund.

The Process: an outline describing the different steps of the Multilateral Fund process in chronological order, including the Implementing Agencies' work programmes and the project cycle.

Progress: a presentation of the results achieved during the period under review based on work programmes, country programmes and project proposals that were approved.

Issues Encountered, Resolved and Outstanding: a description of the main issues that were encountered and resolved during the period under review as well as those still outstanding.

THE STRUCTURE OF THE MULTILATERAL FUND

21. The Multilateral Fund for the Implementation of the Montreal Protocol (the Fund) represents a formal commitment by developed countries (donor countries) to help developing countries Parties to the Protocol (Article 5 countries) meet global environmental obligations and eliminate their production and consumption of ozone depleting substances (ODS).

22. The Multilateral Fund began formal operations in January 1991. The Parties to the Protocol have established the following principles according to which they will operate the Fund:

1. Equal participation in the governance of the Fund by developed and developing countries.
2. A small secretariat to provide the necessary minimum of administrative support for the Fund.
3. The use of existing international agencies to undertake the required work under the Fund and so avoid the creation of new bodies.
4. The provision of both technical and financial assistance to developing countries. Financial assistance may be in the form of grants or concessional basis and will pay for all incremental costs for the removal of ODS and for the necessary technology transfers to attain this objective.

23. The Fund is administered by an Executive Committee which is assisted by a Secretariat. Implementation of Fund sponsored projects is supported by the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) and the World Bank (WB). The following provides a brief description of the roles and responsibilities of the participants of the Fund.

The Executive Committee

24. The Executive Committee consists of 14 members, selected by the Parties, half from Article 5 countries and half from donor countries. Both the Chair and the Vice-Chair are chosen from the 14 members of the Executive Committee and serve for one year. One of the two officers represents the Article 5 countries and the other the remaining countries.

25. Article 5 countries have organized themselves into three regions (Asia, Africa and Latin America and the Caribbean) with two representatives from each region sitting on the Executive Committee. The additional seat rotates among the regions. The donor countries have organized themselves into six groups: the European Community; the United States; Japan; Canada,

Australia and New Zealand; the Nordic and EFTA countries; and the Russian Federation. Members of the Executive Committee are selected at a meeting of the countries within each group for varying terms, generally for one to three years. Their selection, as well as that of the Chair and Vice-Chair, is then endorsed by the Parties.

26. Decisions by the Executive Committee shall be taken by consensus whenever possible. If all efforts at consensus have been exhausted and no agreement reached, decisions shall be taken by a two-thirds majority of the Parties present and voting, representing a majority of the Parties operating under paragraph 1 of Article 5 and a majority of the Parties not so operating present and voting.

27. According to its terms of reference, the Executive Committee shall develop and monitor the implementation of specific operational policies, guidelines and administrative activities including:

- (i) *Review and approval* country programmes, project proposals and the work programmes of the Implementing Agencies.
- (ii) *Monitoring and evaluating* the performance of the Implementing Agencies through a review of their work programmes and progress reports.
- (iii) *Development of policies, guidelines and administrative practices* to facilitate and clarify the process.
- (iv) *Managing the funding process*. It ensures that fund needs can be met by contributions, prepares three-year plan and budgets, and reviews bilateral contributions.
- (v) *Reporting to the Parties* about its activities on a regular basis and providing a formal progress report to the Annual Meeting.

The Fund Secretariat

28. The Fund Secretariat provides the Executive Committee with administrative support. Located in Montreal, it consists of nine professional staff and nine support staff. In addition to the Chief Officer, the professional staff includes two Deputy Chiefs, a Fund and Administrative Officer, four Programme Officers and an Information Officer. The staff is broadly representative of the Parties with two staff members from Asia, two from Africa, one from North America, one from Latin America, and two from Europe.

29. The Secretariat has responsibility for the following:

- (i) *Preparation and documentation* for the meetings of the Executive Committee, sub-committees and the annual co-ordination session of the Implementing Agencies.

- (ii) *Policy analysis and review.* At the request of the Executive Committee, the Secretariat prepares policy papers.
- (iii) *Analysis and review of programme and fund activities.* The Executive Committee has requested the Parties and the Implementing Agencies to direct proposals and plans through the Secretariat. This expedites the approval process by ensuring that presentations are complete and conform to approved Executive Committee guidelines. In addition, for projects in excess of US \$500,000, the Secretariat prepares an evaluation and recommendation for the Executive Committee.
- (iv) *Monitoring the activities of the Implementing Agencies.* It reviews the agencies' work programmes and progress reports, and reports to the Executive Committee. The Secretariat also ensures that an up-to-date inventory of projects and programmes is maintained. To better co-ordinate the activities of the Implementing Agencies and reduce duplication, the Secretariat also produces an annual report that consolidates the individual work programmes of the agencies.
- (v) *Communications and public relations.* The Secretariat participates in workshops, seminars and conferences to promote the activities and purpose of the Fund. It has produced a general information brochure about the Fund, papers on policy issues, and an information kit. In addition, since the Parties and the Executive Committee only meet periodically, the Secretariat serves as the central point of contact for inquiries about the operation of the Fund.
- (vi) *Administrative support, co-ordination, and liaison* for the Executive Committee. The Secretariat plays an important role in co-ordinating the fund activities undertaken by the Implementing Agencies as well as bilateral co-operation programmes.
- (vii) *Financial management/monitoring of the Fund.* The Secretariat supports the Executive Committee by preparing a three-year budget and an operating budget and by monitoring contributions and disbursements.

The Implementing Agencies

30. Implementation of the activities approved for funding is facilitated by the four Implementing Agencies. UNEP also acts as Treasurer for the Fund. A copy of the Treasurer's report on 1992 Accounts is presented in Annex I. In addition to a tripartite interagency agreement between UNDP, UNEP and the World Bank, all of the Agencies, including UNEP as the Treasurer, signed specific agreements with the Executive Committee. The Implementing Agencies work with Article 5 countries to prepare annual work programmes and project proposals. They present these to the Executive Committee for consideration and approval and participate in meetings of the Executive Committee as observers.

31. Apart from specializing in preparing studies for countries of a certain size, the Implementing Agencies also specialize in the type of supporting activities they offer. This specialization arises from the comparative advantages of each agency. Profiles of the Implementing Agencies are summarized in Annex II.

Article 5 Countries

32. Countries that are eligible to receive funding to eliminate ODS are defined in paragraph 1 of Article 5 of the Protocol and are thus referred to as "Article 5 countries." As of 24 June 1993, the number of Article 5 countries stood at 74.

33. There is no single common organizational structure that handles Fund activities in Article 5 countries. In general, most policy and programme operations are housed in each country's Environment Ministries/Department, legal and financial agreements tend to be managed by the Finance Ministries, while external and international relations are the responsibility of the Department of External Affairs/Relations. A sub-committee established by the Executive Committee to assess delays in implementing Fund approved projects found that effectiveness is improved when there is a mechanism to facilitate interdepartmental co-ordination and one department/ministry is given the authority to sign legal and financial documents for all Multilateral Fund projects.

Donor Countries

34. Contributions to the Fund are made by Parties not operating under Article 5 of the Protocol and are referred to as "donor countries". Despite some national differences, donor countries tend to follow a similar pattern in administering their Fund activities. The Ministry of the Environment handles policy issues and acts as lead manager in co-ordinating interdepartmental meetings. Financial contributions are the responsibility of the Ministry of Finance or Treasury Department, while external relations are handled by an appropriate External Affairs Ministry or Department. There appears to be a greater commitment to the Fund when a country has a representative on the Executive Committee. Only the US has an interdepartmental Ozone Co-ordinator whose full-time responsibility is managing Multilateral Fund activities.

35. Communication within and between donor countries about Fund activities tends to be informal though several of them have taken steps to formalize them. Non-members of the Executive Committee have indicated that current methods and levels of information dissemination have been inadequate.

Contributions

36. It was agreed that initial capitalization of the Fund would be set at US \$160 million for the three-year period 1991 through 1993. This Fund total was subsequently raised to US \$200

million in 1991 and to US \$240 million in 1992 with the ratification of more Article 5 countries.

37. Contributions to the Fund are made on the basis of the adjusted United Nations scale of assessment. The UN scale of assessment is an index system based on country economic factors. Since the index includes both industrialized and developing countries, the index is adjusted to apply only to donor countries.

38. Donor countries may channel up to 20 per cent of their contribution to the Fund through bilateral or regional assistance. At the Annual Meeting of the Parties, a list of donor countries, along with their assessed contribution, is drawn up and is included in the Report of the Meeting. A total of 36 countries have been identified as contributors to the Fund. At the beginning of every year, the Fund Treasurer writes to each country and informs it of the amount of its contribution and invites payment as soon as possible.

39. In accordance with Article 10, contributions to the Fund may be made in convertible currencies, or in certain circumstances, in-kind and/or, in native currency. To date, all contributions have been made in convertible currency, although some interest has been expressed in in-kind contributions, and one promissory note was submitted.

40. The total contribution to the Fund for 1991 and 1992 was US \$99,040,881 out of the total pledge of US \$126,660,390, leaving outstanding contributions of US \$27,619,509 or 22 per cent of the pledge as of June 1993. As has been the case in previous years, contributions at the beginning of 1993 have been slow in coming. In addition, US \$1,982,732 was earned as interest. Thus, the total amount available in the Fund was US \$119,241,438, as at 24 June 1993. The Government of Canada has contributed US \$1,442,103, in addition to its assessment, towards hosting the Secretariat in Montreal. Canada's "counterpart contribution" to the Fund is a yearly contribution.

Bilateral Contributions

41. In its decision to establish the Multilateral Fund, the Parties agreed that "Bilateral and, in particular cases agreed by a decision of the Parties, regional co-operation may, up to 20 per cent and consistent with any criteria specified by decision of the Parties, be considered as a contribution to the Multilateral Fund, provided that such co-operation as a minimum: (a) strictly relates to compliance with the provisions of the Protocol; (b) provides additional resources; and (c) meets agreed incremental costs".

42. Bilateral contributions amounted US \$2,206,772 of which the United States has been a major contributor. Both Australia and Germany have spent funds to support Article 5 participation in technical workshops. The United States activity has focused on: technical assistance in project preparation and feasibility studies; regional workshops; training; technical assistance and demonstration projects; and support for country programmes.

THE PROCESS

43. This section describes the different steps of the Multilateral Fund process, including the Implementing Agencies' work programmes and project cycles.

44. The activities financed by the Multilateral Fund are presented for review and approval by the Executive Committee in three types of documents: agency work programmes, country programmes and project proposal.

Agency Work Programmes

45. As per the agreement with the Executive Committee, the Implementing Agencies are required to prepare annual work programmes in consultation with and with the approval of the Article 5 countries concerned. Work programmes are planning documents which provide the Executive Committee with the information it needs to manage and co-ordinate the Fund's activities. Work programmes include requests for funding of activities with a cost of below US \$500,000. Work programmes often include requests for funding of country programmes, project preparation, training programmes, technical assistance, information exchange, demonstration projects, institutional strengthening and small investment projects.

46. After annual work programmes are prepared by the Implementing Agencies, they are consolidated by the Secretariat into a single document. The document is discussed at an Implementing Agency co-ordinating meeting convened by the Fund Secretariat, to review the programmes, resolve conflicts, and eliminate any overlap before its consideration by the Executive Committee. Following approval by the Executive Committee funds are released to the Implementing Agencies by the Fund Treasurer. During the course of the year, Implementing Agencies may submit work programme amendments, requesting funds for additional activities costing below US \$500,000.

Country Programmes

47. The country programme is a vehicle by which countries review their production, import, export and consumption of controlled substances and delineates a strategy and an action plan for elimination of ODS. The action plan consists of regulatory measures, priority projects which the country envisions implementing along with a timetable and budget estimates.

48. Once the country programme is completed, the Government concerned submits it to the Fund Secretariat for review by an official letter of transmittal six weeks before the meeting of the Executive Committee at which it is to be considered for approval. When sufficient information including incremental cost estimates are provided for projects identified in a country programme, then approval of the country programme may include approval of funding for those

projects. An approved country programme may be updated when necessary and resubmitted for further consideration.

49. Country programmes can be prepared by the countries themselves, or in co-operation with an Implementing Agency or through bilateral co-operation. The country programmes are prepared according to the guidelines approved by the Executive Committee.

The Project Cycle

50. While each Agency has its own requirements for project development and review, (which will be discussed latter in this section) the following section describes the general path that all projects must take in relation to the Executive Committee as shown in Figure 1.

Project Proposal Development

51. Projects are often identified as a result of a national priority or during the preparation of a country programme. Generally, the country and the Implementing Agency collaborate on the development of the project proposal for submission to the Executive Committee. In some cases, the project proposal is prepared by an Article 5 country; if no Implementing Agency is identified when the project approaches Executive Committee review, the Secretariat collaborates with the Article 5 countries in the identification of an Implementing Agency. In few other cases, a project is initiated through bilateral co-operation in which a donor country collaborates with an Article 5 country on the development of the proposal. Project proposals are developed based on the extent of the ODS problem, the technology available and the cost-effectiveness of the technology.

52. All project proposals must meet the Executive Committee's specific information requirements for project preparation before they are considered by the Executive Committee. These requirements cover a number of key topics; mandate that a technical review accompany project proposals, and help to ensure that sufficient information is available to the Executive Committee to enable it to carry out an adequate review.

53. Once the project proposals are developed, they must be submitted to the Fund Secretariat at least six weeks prior to the date of the Executive Committee meeting at which they are to be considered.

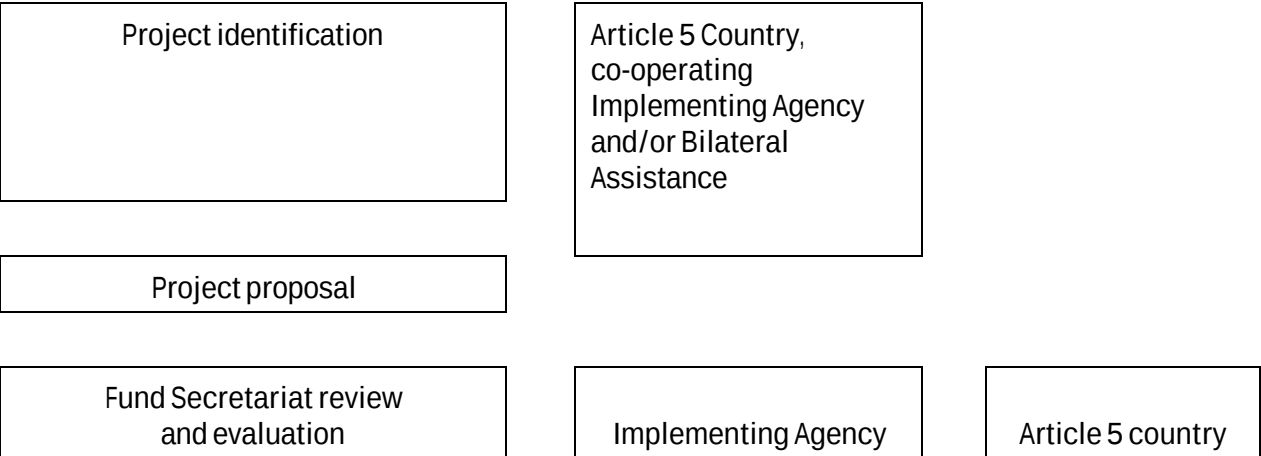
54. Immediately following submission, the Secretariat begins an intensive review of the project proposals to ensure their consistency with the policy and incremental cost guidelines established for the Fund. During its first year of operation, the Secretariat moved from project review directly to the delineation of comments and recommendations. This process resulted in a discussion at the Executive Committee of a number of project specific issues. Over the last year, the Secretariat has been working more closely with the Implementing Agencies in an effort

to resolve project related issues before the Executive Committee meeting. While this does consume at least two weeks of the six week review time, the Executive Committee is of the opinion that this has increased the quality of projects while significantly reducing the number of issues which must be addressed at each Executive Committee meeting.

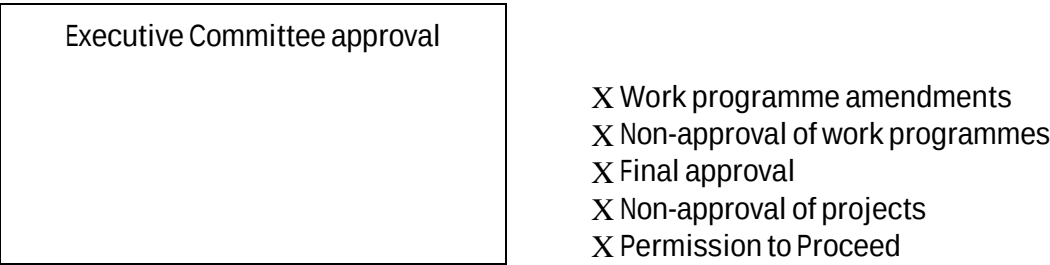
55. Following its review and discussion with the Implementing Agencies, the Secretariat prepares its comments and recommendations on projects, and sends them, together with the projects, to the Executive Committee for its review.

THE PROJECT CYCLE FOR MULTILATERAL FUND PROJECTS **GENERAL FLOW CHART**

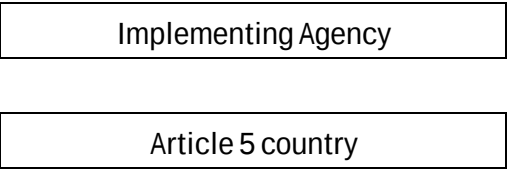
Proposal Development



Approval



Implementation



Project Approval

56. Project review and approval is different for projects under US \$500,000 (which are included in Agency work programmes) and projects over US \$500,000, which need specific Executive Committee approval. While the Executive Committee criteria do call for a certain minimum amount of information for projects under US \$500,000, these projects are not typically individually considered by the Executive Committee unless the Secretariat review reveals an issue of consistency with Executive Committee guidelines. In contrast, each project over US \$500,000 is, in accordance with the terms of reference of the Executive Committee, individually considered.

57. In deciding on each project, the Executive Committee has before it, a project summary sheet, the project proposal, a copy of the technical review of the project, and the Secretariat's comments and recommendations. The Executive Committee is provided time for discussions of each project, and, in practice, it takes one of the following five actions:

1. Work programme amendments: projects involving costs below US \$500,000 which would be approved and funded as amendments to Implementing Agency work programmes;
2. Non-approval of work programmes: projects involving costs below US \$500,000 which would not be approved on policy grounds;
3. Final approval: projects over US \$500,000 which would be fully and finally approved and funded without the need for further documentation;
4. Non-approval of projects: projects over US \$500,000 which would not be approved on policy grounds;
5. Permission to Proceed: allows Implementing Agencies to proceed with further development of a project or group of projects. Does not constitute Executive Committee approval of the project or necessitate the transfer of funds.

58. Following Executive Committee's action, funds for approved projects are disbursed by the Fund Treasurer to the Implementing Agencies who will then initiate the necessary actions to ensure implementation of the projects.

The Project Cycles of the Implementing Agencies

59. Only UNDP, UNIDO and the World Bank are involved in the preparation of investment projects. A description of UNEP's activities is also included in this section. Although they employ their own standard procedure for processing project proposals, these have been adapted to meet the needs of the Multilateral Fund. The following section describes the project cycle followed by these Implementing Agencies in preparing and submitting projects for approval.

UNDP

60. UNDP has set up a Montreal Protocol Unit which is located within its Environment and Natural Resources Group (ENR) at UNDP headquarters in New York. The Unit is headed by the Montreal Protocol Task Manager, a senior-level staff position. There are additionally five staff in the Unit comprising one senior technical expert, two middle-level staff and two programme assistants. UNDP has also appointed five sectoral experts on retainer contracts in the aerosols, foams, solvents, halons and refrigeration training areas. The Unit is responsible for programme development and technical project monitoring, while actual project implementation is handled by one of UNDP's executing agencies (e.g. the Office of Projects Services) or executed by governments directly.

61. Requests for assistance for project development can come from an Article 5 country to UNDP (either to a Field Office or to Headquarters), as part of a country programme or from a UNDP consultants recruited at government request to help identify projects.

62. A draft project document is prepared by UNDP Headquarters with the assistance of the UNDP Field Office, and the Article 5 country concerned. In some instances a first draft of project document is prepared by the Government itself. In either case, the project document details the activities to be performed, their rationale and justification, expected results, the project budget, the work schedule and the responsibilities and inputs of each party to the project. Once the project document is drafted, it is evaluated by an independent sector expert, recruited on a project by project basis.

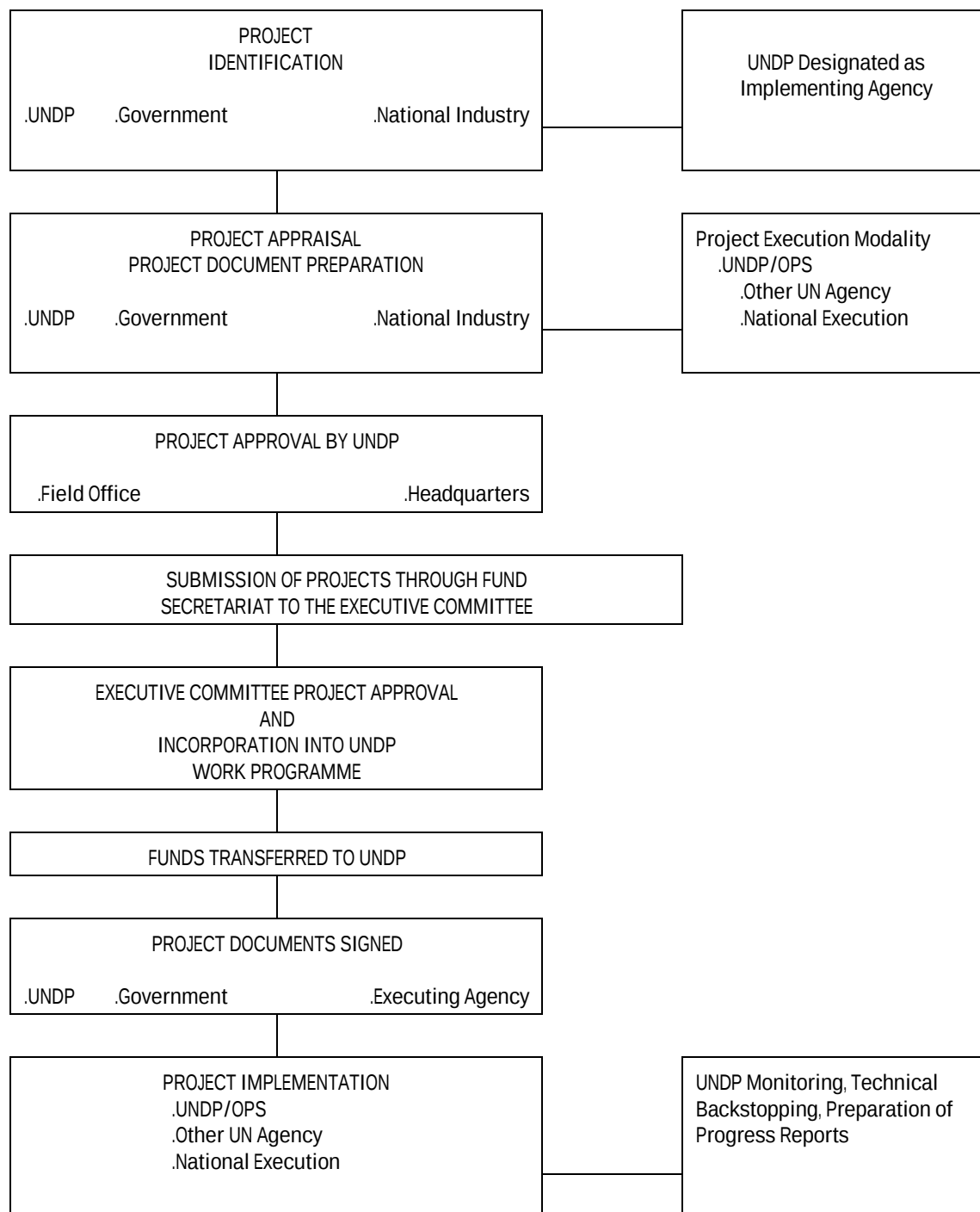
63. Project proposals are reviewed and modified by the designated executing agency (UN agency or national government) and approved by the government, by UNDP and by the executing agency.

64. Once the project document has been approved by UNDP Headquarters, is submitted to the Fund Secretariat for review, feedback, and dispatch to the Executive Committee. The Executive Committee then makes its project approval decision, taking into consideration the Fund Secretariat's recommendations. Where the Executive Committee requires only minor changes to the project proposal, it is amended and signed by the parties concerned. In the event the Executive Committee changes a project drastically or funds only part of the total requested costs, an additional technical and financial review by UNDP may be needed to determine how the project should be implemented and amended. If the concerned government and/or company concludes that the project is no longer feasible at the reduced funding level, UNDP would so inform the Executive Committee and funding received would be returned to the Fund.

65. The project document is signed by UNDP and the Government concerned after it has been approved by the Executive Committee. Transfer of funds is a straight-forward process since for each new project UNDP only requires an addendum to the "umbrella grant" agreement which UNDP has signed with over 120 countries. UNDP does not need a financial intermediary since financial transactions and accounting are the responsibility of UNDP executing agencies; in case of projects executed directly by governments, the UNDP Field Office assists in the financial intermediary functions. Figure 2 shows UNDP's project cycle.

FIGURE 2

**SUMMARY OF UNDP PROCEDURES
FOR PROJECT DEVELOPMENT AND IMPLEMENTATION**



UNIDO

66. UNIDO's project cycle begins with the identification of an ODS problem in an Article 5 country. The identification of the problem leads to the development of project ideas and the characterization of the assistance that might be required for developing the project proposal. While country programmes provide a structured approach for the development of project ideas, they may also be developed by an Article 5 country, by UNIDO field staff or Headquarters staff on mission, or by another United Nations agency. In all cases, the UNIDO Area Programmes Division systematically gathers the project ideas and makes them available to all departments of UNIDO, field offices and the Article 5 country concerned, at regular intervals. If the project requires joint development and/or implementation with another Implementing Agency, co-operation is established during these initial stages.

67. The project formulation phase entails collecting and analysing background information, designing and drafting the project proposal, in accordance with applicable guidance, in order to ensure its relevance, technical soundness and feasibility.

68. The project formulation requires close co-operation between various units at Headquarters, as well as among UNIDO, the recipient Article 5 country, and other Implementing Agencies. During this phase, the Project Appraisal Section can provide advice, if required.

69. When the draft project document is completed, it is cleared by:

- The specialized branch which confirms that the project is feasible from technical and economic viewpoints; and
- The Area Programmes Division which confirms that an official Government request has been received, the project complies with the country programme or with the request by an Article 5 country, and the project design is in accordance with the relevant formats and meets design standards.

70. Following the internal approval of UNIDO, the project is submitted formally to the Executive Committee of the Multilateral Fund for review and approval. Following the approval of the Executive Committee, the project is signed by UNIDO and the Government of the Article 5 country concerned.

71. Figure 3 shows UNIDO's project cycle.

WORLD BANK

72. The World Bank Country Department for the country concerned assigns a task manager to each project from its inception. To initiate discussions, the task manager leads a mission to consult with the government on the project and the necessary measures which must be taken to ensure its preparation, approval and eventual implementation. In the context of most Bank projects, this often includes the selection of a financial intermediary who will handle in-country public sub-project appraisal, and disbursement of funds for project execution. Working with the country early in the process to select the financial intermediary and determine the terms of procurement, disbursement and sub-project eligibility criteria are critical to ensuring timely implementation of MP Bank projects.

73. Following the initial mission, the Bank drafts what it calls an Executive Project Summary (EPS). This document contains virtually all of the components that the Executive Committee requires for project review, and is the primary vehicle that the Bank uses to obtain internal approval of a project. Annexes to the EPS include sub-project documentation in the form agreed with the Multilateral Fund Executive Committee for its approval. Sub-project documentation, not the EPS per se, are submitted to the Executive Committee for review.

74. To ensure that the best possible advice is provided in the technical review of ozone projects, the Bank has established the Ozone Operations Resources Group (OORG). This body, which is made up of internationally recognized experts, serves as a resource to the Bank, and through it, the Multilateral Fund. Following OORG review of the sub-projects listed in the annexes to the EPS and other available technical documentation, the Bank holds an internal review meeting with the Country Department. This meeting is also attended by a Bank Technical Advisor, peer reviewers and staff from the Bank's Global Environment Coordination Division, which is the focal point for MP operations co-ordination.

75. Initial internal approval to submit the project for Executive Committee consideration is received at this meeting. Following this approval, and the endorsement of the country, the Bank submits the project documentation to the Fund Secretariat. As discussed above, the Bank indicates the kind of action it is requesting the Executive Committee to take (approval as a Work Program amendment, final project approval, or permission to proceed).

76. The Executive Committee approval initiates the final project approval steps. Following Executive Committee approval, the Bank must change the EPS into a Memorandum of Recommendation and prepare, or continue the process of developing, a legal grant agreement which are key documents on which Bank management can approve release of funds from the Ozone Projects Trust Fund for an Executive Committee (EC) approved project. The need for Bank management approval is in keeping with the obligations of the Bank as defined in the agreement with the EC, including its fiduciary and project appraisal and supervision responsibilities.

77. The grant agreement process is in some cases the most time consuming portion of the project approval process. There are several reasons for this. First, there are often a number of Agencies in the recipient country that are involved. Thus, final approval requires a high degree of co-ordination, both between the Bank and the Agencies and between the Agencies themselves.

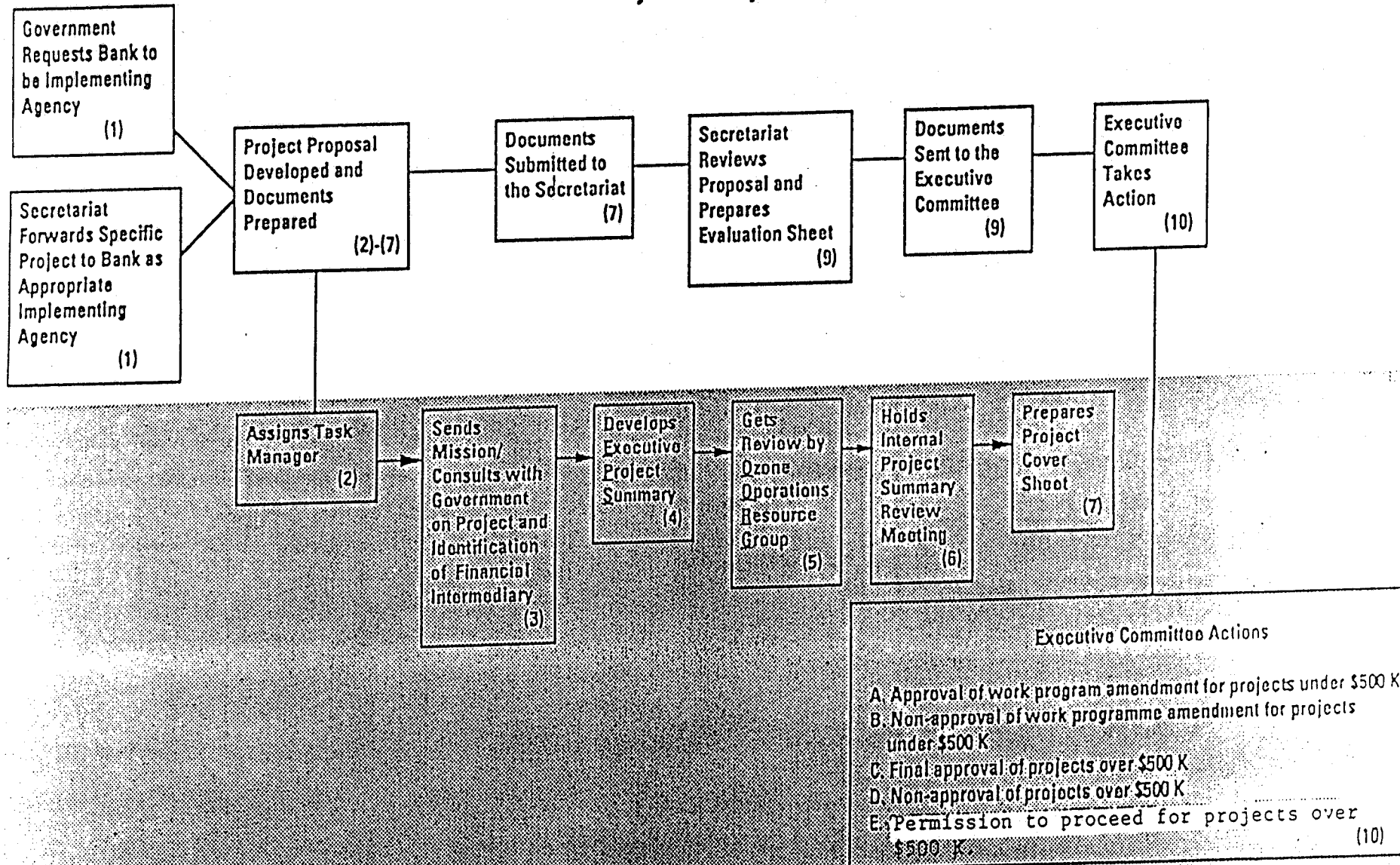
78. The Bank has addressed these issues by initiating discussions of grant-related issues during the project's development, rather than waiting until the project has been approved. In that regard, the Executive Committee has encouraged relevant Implementing Agencies to implement sub-projects under one unique legal framework (umbrella agreement) with the relevant intermediary in the recipient country. To expedite Article 5 country approval of grant agreements, the Executive Committee also recommended that Article 5 countries consider the selection of a focal point and use interministerial bodies, as appropriate. As a result of these activities, it is expected that the development of subsequent grant agreements in Article 5 countries will be much easier, as many of the issues will have been worked out in the initial agreements.

79. Before the grant agreement can be finalized, the Bank must have a final appraisal of the project. This involves a detailed costing of the project subcomponents and review of local implementation arrangements and requirements. Over the last year, in order to expedite project implementation post Executive Committee approval, the Bank has moved in the direction of undertaking the functional equivalent of a pre-appraisal prior to Executive Committee submission. In any event, a final appraisal document must accompany the proposed grant agreement through the Bank for the final project sign-off.

80. Once the project is authorized, the legal documents are signed by the Bank and the country, and the funds can be disbursed in accordance with its terms. In most cases, the money will be disbursed to a financial intermediary who will be responsible for local sub-project appraisals and implementation overview. This is because the Bank does not execute investment projects. Instead, their role is to monitor project implementation through regular supervision missions.

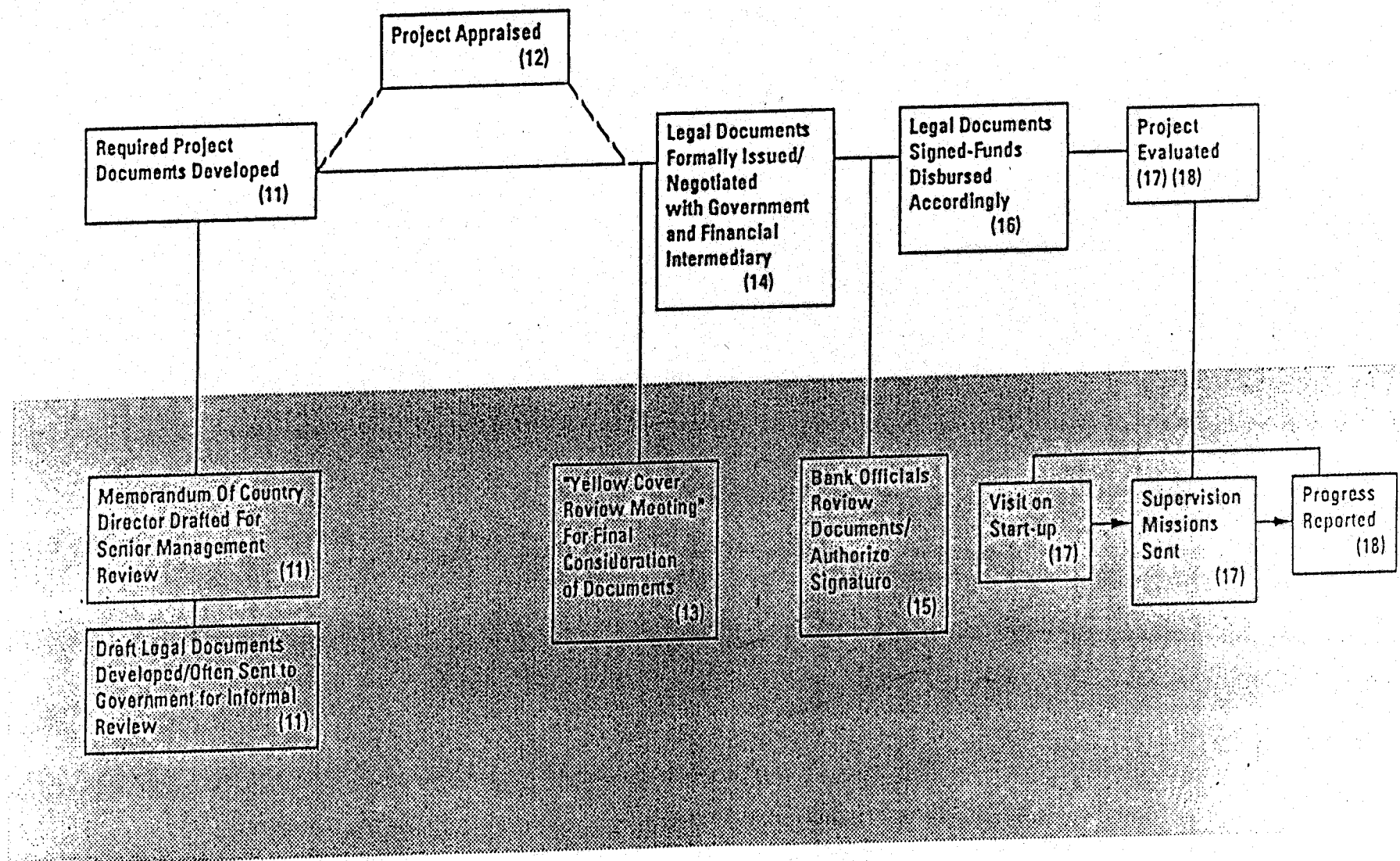
81. One last unique attribute of the Bank's operation is that whenever possible, it combines what would normally be considered as several discrete projects, into a single "umbrella project". While this may slow approval of sub-projects which are awaiting the development of additional sub-projects before a unified submission, the Bank believes that it reduces the administrative burden on its clients and its staff, and by including all the sub-projects in one grant, saves substantial time during project processing, as well as administrative costs. In any event, the Executive Committee reviews each sub-project which has an incremental cost of over US \$500,000. Figure 4 shows the World Bank's project cycle.

World Bank Montreal Protocol Project Preparation



Areas in white provide an overview of procedures.
Shaded areas describe detailed procedures.
(#)s refer to paragraphs in accompanying narrative.

World Bank Montreal Protocol Project Implementation Following Executive Committee Review



Areas in white provide an overview of procedures.
Shaded areas describe detailed procedures.
(#)s refer to paragraphs in accompanying narrative.

UNEP

82. UNEP, as per its agreement between the Executive Committee of Interim Multilateral Fund, has been tasked with the following work:

- a) political promotion of the objectives of the Protocol;
- b) research and data-gathering, according to the provisions of the Protocol; and
- c) clearing-house function comprising of the following activities:
 - (i) assist Parties operating under paragraph 1 of Article 5 of the Protocol, through country-specific studies and other technical co-operation, to identify their needs for co-operation;
 - (ii) facilitate technical co-operation to meet these identified needs;
 - (iii) collect and disseminate information and relevant materials, hold workshops and training sessions and other related activities for the benefit of Parties that are developing countries; and
 - (iv) facilitate and monitor other multilateral regional and bilateral co-operation available to Parties that are developing countries.

83. UNEP has prepared its work programmes for the year 1991 (approved in June 1991) and for the year 1992 (approved in February 1992) in order to carry out these tasks. Information Clearinghouse, Training, Workshops and Networking and Country Programmes for Low-volume-ODS consuming countries are the three main areas of UNEP's Work Programmes.

PROGRESS

84. The Fund began formal operations in January 1991. Since its creation, it has hired and trained most of the staff it requires and has developed many of the procedures and processes needed to transact its business effectively and efficiently. Despite the usual difficulties associated with the start-up of projects of this nature, the Fund has made substantial progress during its first two years of operation. As at March, 1993:

Agreements between the Executive Committee and UNDP, UNEP, UNIDO and the World Bank were signed;

Work programmes of UNDP, UNEP, and World Bank for 1991, 1992 and 1993 were approved;

Almost 300 activities in 45 developing countries have been approved;

Fifty-three investment and demonstration projects (including those costing below US \$500,000) in sixteen countries expected to result in the elimination of the consumption of approximately 31,000 metric tonnes of ODS per year have also been approved in all sectors. These projects account for US \$54.7 million of the fund disbursements;

A total of about US \$26.11 million has been allocated for the work programmes of the Implementing Agencies for preparation of country programmes and project proposals, feasibility studies, technical assistance and demonstration projects, and institutional strengthening, distributed as follows:

UNDP	US \$10.20 million
UNEP	US \$ 5.89 million
UNIDO	US \$ 0.49 million
World Bank	US \$ 9.53 million;

Out of the 44 country programmes for which US \$3.2 million was disbursed to the Implementing Agencies for their preparation, ten have been completed and approved. These are those of Chile, China, Costa Rica, Ecuador, Egypt, Ghana, Malaysia, Mexico, Turkey and Zambia. These country programmes account for the consumption of ODS of 78,300 metric tons. Nine additional country programmes are scheduled for consideration in June of 1993.

85. Other activities which were also supported by the Multilateral Fund include 50 training programmes at regional and national levels, 47 technical assistance activities, and information exchange organized around UNEP's Ozonaction Clearinghouse. The Ozonaction Clearinghouse

includes an on-line data base which became operational in February 1992, which contains information on ODS and on government, other international organizations ODS phase-out activities. From August through December 1992, 500 query-response exchanges were made on the computerized information system. UNEP also publishes technical brochures and a regular newsletter. Five issues were published and disseminated to approximately 15,000 individuals or organizations. Also, five brochures in three languages were prepared by the end of 1992 and distributed to over 3,000 contacts.

86. UNEP organized four regional workshops during 1991 and 1992 to introduce Article 5 countries to the Multilateral Fund and to provide a networking forum for countries within specific regions.

ISSUES ENCOUNTERED AND RESOLVED, AND OUTSTANDING

87. The pace of activity is accelerating and the Fund is now at the stage where projects and programmes are moving swiftly through the approval process and into implementation. Several major policy and operational issues, such as institutional strengthening and inter-agency co-ordination, have been encountered and resolved. Steps are being taken to deal with issues still outstanding, such as incremental costs and in-kind contributions. This section of the report describes some of the major issues that have been addressed by the Executive Committee.

Issues Encountered and Resolved

Policy and Operational Issues

88. At its second meeting, the Executive Committee established a sub-committee to prepare implementation guidelines and criteria for project selection. The Committee approved the guidelines at its third meeting, on the understanding that they would be further developed after one year in the light of the experience gained and supplemental guidelines were approved at the seventh and eighth meetings.

89. Preparation of country programmes was one of the first activities undertaken by the Implementing Agencies and/or Article 5 countries. Since the first country programmes submitted for approval contained different levels and kinds of information, the Executive Committee asked the Fund Secretariat to develop guidelines for the presentation of country programmes. The guidelines, adopted by the Committee at its fifth meeting, facilitated the preparation and review process for country programmes.

90. The Executive Committee, at its third meeting, also decided to develop criteria and procedures for bilateral and regional contributions, which were adopted in February 1992.

91. At its seventh meeting, the Executive Committee adopted a number of policy decisions including retroactive support; support to subsidiaries of transnational corporations or enterprises permitted to operate in "free zones" and whose output is for export only; and support to enterprises that are wholly or partly owned by countries that are not Parties to the Protocol.

Capacity Building in Article 5 Countries

92. There is no single common organizational structure that handles Fund activities in Article 5 countries. A lack of local expertise may prevent many of these countries from taking advantage of opportunities offered by the Fund to develop country programmes and project proposals.

93. The Executive Committee, recognizing the need for capacity enhancement in relevant national institutions, decided to provide limited funding for institutional strengthening. The Fund provides necessary resources to strengthen a national institution that can, in turn, facilitate implementation of projects and ensure effective liaison between the country, the Executive Committee, the Fund Secretariat, and the Implementing Agencies. UNEP's clearing-house function, including information exchange and training, is also expected to contribute to capacity building in Article 5 countries, leading to faster ODS phase-out.

Inter-agency Co-ordination

94. Because of concerns over duplication of activities by the Implementing Agencies, the Executive Committee decided to integrate the work programmes into one document, and asked the Secretariat to play a co-ordinating role in developing such a document. The Executive Committee also decided that the Implementing Agencies should adopt a sector-based approach for their work programmes. The intent of the approach is to identify paradigmatic projects that can be replicated through Article 5 countries. The Committee has used the sector-based approach in the development of the 1992 and 1993 consolidated work programmes and in preparing its three year plan and budget for 1994 through 1996.

Development of Project Proposals

95. Several factors caused delays in the project proposal development stage for the first proposals submitted to the Executive Committee by Article 5 countries. These factors included an absence of appropriate guidelines and criteria; lack of an institutional structure within the country; a change in the personnel responsible for Montreal Protocol activities; emerging technologies which are unproven and have uncertain costs; the desire to use less harmful ODS transitional solutions while new technologies are under development; situations where the incremental costs cannot be easily defined or where benefits cannot be immediately quantified; and situations where the company that will receive the funding is not financially sound.

96. The steps from project identification to project approval by the Executive Committee have been expedited by the adoption of guidelines and criteria for project proposals. In addition, Article 5 countries and Implementing Agencies have gained a fuller understanding of requirements. Finally, co-operation and support by industry has increased, and institutional structures within countries have been strengthened.

97. For some investment project proposals, the Executive Committee provided the Implementing Agencies with "permission to proceed" to allow for the expeditious negotiation of grant agreements in advance of the actual approval and allocation of funds.

Expediting Project Implementation

98. Delays in the signing of the agreement between the government concerned and the Implementing Agency, once the project proposal has been approved by the Executive Committee, have also been a major cause of delays in the implementation of projects. Some projects that were approved over 18 months ago have yet to be implemented. The average length of time for obtaining signature of a grant agreement is currently 11 months. However, Implementing Agencies are hopeful that, with the experience gained in drafting and negotiating the initial grants, this time lag can be significantly reduced.

99. To speed up the implementation process, the Executive Committee established a subcommittee to evaluate a representative sample of approved projects with a view to identifying barriers to speedy project implementation. The sub-committee reported back to the eighth meeting and recommended the following to accelerate project implementation.

that Article 5 countries should select Implementing Agencies before they prepare projects for submission;

that Article 5 countries and Implementing Agencies should develop legal and disbursement arrangements in parallel with the investment project preparation;

that they should have agreed timelines for project preparation and implementation; and,

that "permission to proceed" might be used as a vehicle for proceeding with grant agreements before final project approval is obtained.

Issues Outstanding

Contributions

100. More than 70 per cent of the pledged contributions to the Fund for the years 1991 and 1992 has been received. A copy of the Treasurer's report on the Status of the Contributions and Disbursements to the Fund is included in Annex III. The contributions in arrears are attributable mainly to countries with economies in transition who may be hoping to make their contributions in-kind, as hard currency remains a problem. The Executive Committee has asked the Secretariat to continue its consultations with the Implementing Agencies and the appropriate Governments with a view to elaborating modalities for practical utilization of contributions in-kind. The Committee recently established a sub-committee to develop recommendations on actions that can be taken to encourage timely payment to the Fund. Additionally, the Executive Committee recently established a standing Finance Sub-Committee which can address the issue of in-kind contributions in the future.

101. Some non-Article 5 countries have discussed alternative methods of making contributions to the Fund, such as promissory notes. The standing Finance Sub-Committee will also be addressing this issue.

102. There is no set date for making contributions to the Fund. While there has been no cash-flow problem to date, on two occasions, the Executive Committee committed virtually all of its cash on hand. This situation, however, will have to be monitored more closely as, in accordance with its Terms of Reference, the Executive Committee cannot approve projects in the absence of funds on hand.

Incremental Cost

103. The Indicative List of Categories of Incremental Costs is the basic document on project eligibility for the Multilateral Fund. However, with increasing numbers of project proposals, operational guidance on items to consider in the calculation of incremental costs is a necessity.

104. The Executive Committee at its seven meeting considered and took note of documents prepared separately by the Secretariat and the World Bank on incremental costs. The Executive Committee decided that it would follow the Indicative List adopted at the London Meeting of the Parties and, in cases where the Indicative List proved not to provide sufficient guidance, it would consult the two documents.

105. Pursuant to a request by the seventh meeting of the Open-ended Working Group of the Parties to the Montreal Protocol, the Executive Committee recommended at its eighth meeting that, for the present, the existing Indicative List of Categories of Incremental Costs should be left unchanged, and that the Executive Committee 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.

106. A document is currently being developed to further clarify certain incremental cost issues. Incremental cost issues that have not yet been addressed by the Executive Committee through project submissions include, inter alia: commercial risk, enterprise incentive, unintended benefits, no-price barriers, distribution issues, premature retirement, and social welfare costs.

APPENDIX I

REPORT FROM THE TREASURER 1992 ACCOUNTS

Accounts for the first year of the biennium 1992-1993
ended 31 December 1992

1. The statement contained in this document reflects the status of the Fund as at 31 December 1992. This statement was submitted as part of the accounts of the United Nations Environment programme to the United Nations Board of Auditors.
2. Schedules 1.1 to 1.4 provide details of expenditures in 1992 in respect of the Secretariat and the three implementing agencies, namely, the United Nations Environment Programme, the United Nations Development Programme and the World Bank.

Statement IV**I. Statement of income and expenditure for the first year of the biennium 1992-1993 ended 31 December 1992**

(United States dollars)

Income

Pledged contributions	71,612,841
Interest	1,757,933
Miscellaneous	522,219
Total income	73,892,993

Expenditure

Staff and other personnel costs	999,686
Consultants 205,644	
Travel 78,846	
Meetings and conferences	184,517
Rentals	497,340
Operating expenses	69,653
Acquisitions	19,563
Reporting costs	45,201
Sundry	54,150
Hospitality	5,197
Loss on exchange	24,603
Programme support costs	105,784
UNEP managed activities	1,778,518
UNDP managed activities	1,265,595
World Bank managed activities	3,263,742
Total expenditure	8,598,039

Excess of income over expenditure**65,294,954**

II. Statement of assets and liabilities as at 31 December 1992

(United States dollars)

Assets

Cash at banks	31,121,203
Pledged contributions unpaid	34,569,756
Accounts receivable	79,917
Accrued interest	138,145
Due from Fund of UNEP	426,212
Advances to implementing agencies	49,285,691
 Total assets	 115,620,924

Liabilities

Accounts payable	5,186
Unliquidated obligations	272,858
 Total liabilities	 278,044

Fund balance

Balance available 1 January	50,592,268
Adjustment to prior year's accounts	(544,342)
Add: Excess of income over expenditure	65,294,954
 Balance available 31 December	 115,342,880
 Total liabilities and fund balance	 115,620,924

Certified correct

N. Gopalratnam
Chief, Finance Section

Schedule 1.1**Secretariat of the Multilateral Fund**

US \$

Income

Approved 1992 budget	2,766,710
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Expenditure

Staff	999,686
-------	---------

Consultants	205,644
-------------	---------

Travel	78,846
--------	--------

Meetings and conferences	184,517
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Rentals	497,340
---------	---------

Operating expenses	69,653
--------------------	--------

Acquisitions	19,563
--------------	--------

Reporting costs	45,201
-----------------	--------

Sundry	54,150
--------	--------

Hospitality	5,197
-------------	-------

Loss on exchange	24,603
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Programme support costs	105,784
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Total expenditure	2,290,184
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Excess of income over expenditure	476,526
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Schedule 1.2

U N E P Managed Activities

US \$

Income

Funds transferred for approved projects	1,921,000
Interest	75,848
 Total income	 1,996,848

Expenditure

Staff	162,647
Consultants 281,835	
Travel 40,354	
Contractual services	399,587
Meetings and conferences	362,184
Rentals	80,202
Operating expenses	45,027
Acquisitions	24,906
Reporting costs	93,079
Sundry	82,863
Hospitality	1,226
Programme support costs	204,608
 Total expenditure	 1,778,518

Excess of income over expenditure	218,330
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Schedule 1.3**U N D P Managed Activities**

US \$

Income

Funds transferred for approved projects	9,826,195
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Interest	25,937
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Total income	9,852,132
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Expenditure¹

Project costs	849,082
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Administrative costs	27,670
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Total expenditure	876,752
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Excess of income over expenditure	8,975,380
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¹ Covers the period 1 January - 30 September 1992.

Schedule 1.4**World Bank Managed Activities**

US \$

Income

Funds transferred for approved projects	37,315,000
Interest	630,569
Total income	37,945,569

Expenditure

Project costs	513,589
Administrative costs	2,750,153
Total expenditure	3,263,742

Excess of income over expenditure	34,681,827
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APPENDIX II**DESCRIPTION OF THE IMPLEMENTING AGENCIES**

United Nations Environmental Programme (UNEP)	
<i>Role</i>	Fund treasurer: receives all financial contributions, transfers money according to EC instructions and keeps accounts at no charge to the Fund and according to UN financial rules. Functions as a clearinghouse to assist Article 5 countries in identifying needs and facilitating technical co-operation. Helps smaller countries prepare their ODS country programmes. Focuses on research, training, data collection and information dissemination; repackages and disseminates information through on-line data bases, diskettes, technical brochures, newsletters, workshops, and training programmes.
<i>Organization</i>	The treasury function is located in Nairobi . The ozone clearinghouse and promotional activity is part of the Paris-based Industry and Environment Programme Activity Centre. The Ozoneaction Programme's full-time staff consists of one co-ordinator, one secretary, one administrative assistant, and an information clerk. Contract employees staff the information, training, and networking activities. The activity of formulation of country programmes is aided by consultants familiar with UNEP's methodology. Country programme logistics and follow-up on other activities are managed through UNEP's regional offices.
<i>Operating Philosophy</i>	Committed to the "Bottom-up" approach in identifying needs and devising the programmes. Encourages involvement by Article 5 countries; provides tools and knowledge to help develop local capacity to make informed decisions.
<i>Co-ordination</i>	Regional workshops introduce developing countries to the Montreal Protocol process and encourage exchange of ideas and experiences. Co-operates with several other agencies including Swedish International Development Agency, the Finnish International Development Agency, USEPA, and UNDP. Regional offices will be invited to co-ordinate activities and keep in close contact with Article 5 countries for which they are responsible.
<i>Process</i>	The interactive and consultative approach is exemplified by a broad-based Advisory Group from the Executive Committee, Secretariat, industry, NGOs, and developed and developing countries. The consultative approach is used to inform, educate and motivate country programme consultants through regular meetings.
<i>Constraints</i>	UN guidelines permit no more than 13% for administrative overhead; staff is limited and other resources must be used. The consultative approach is time-consuming, particularly during the start-up phase of a project. UNEP believes that this is an effective way of gaining commitments from the Article 5 countries and achieving lasting results.

United Nations Development Programme (UNDP)	
<i>Role</i>	As a funding and UN co-ordinating agency for technical assistance, it carries out activities through OPS, UN agencies or through national governments. Assists in the preparation as well as the implementation of a number of country programmes. Responsible primarily for technical assistance and pre-investment activities including feasibility studies, technology assistance, demonstration projects, and training. Involved in investment projects only when requested.
<i>Organization</i>	UNDP acts on a highly decentralized basis with a field office network of 120 national offices and with staff supporting Montreal Protocol activities in offices where programmes exist. UNDP has created a Unit fully dedicated to managing its Montreal Protocol activities. It is currently staffed with 6 full-time staff including two senior-level staff (one of which is the Montreal Protocol Task Manager) and two mid-level staff. In addition, UNDP has 5 sectoral experts on retainer contracts (aerosols, foams, solvents, refrigeration training, halons). [The aerosols sector expert is also on the World Bank's OORG.] The Montreal Protocol Unit is placed within the Environment and Natural Resources Group (ENR) which is responsible for co-ordinating all environmental activities in UNDP and whose Manager is ultimately responsible for Montreal Protocol programme activities implemented by UNDP. To assist in project design and implementation, UNDP has a large roster of experts and consultants who are contracted on a project by project basis. UNDP Field Office staff have financial, legal and administrative authority to deal with countries. [The China office has been very active and the India office is expected to be equally active.]
<i>Operating Philosophy</i>	Assists countries only on their specific request. Focuses on developing local human resources and institutional capacities and uses local talent wherever possible. [In the country programme developed for China, it used over 30 Chinese experts and 9 international experts.]
<i>Co-ordination</i>	UNDP acts as co-ordinator of UN system operational activities. Co-operates with a wide range of players including national governments of both developed and developing countries, local consultants, NGOs, and other international bodies. Greater efforts being placed on strengthening co-ordination with the other Implementing Agencies (World Bank, UNEP, UNIDO).
<i>Process</i>	Emphasis on team building with local consultants, international experts and government decision makers co-ordinated by a UNDP project manager (consultant or ENR member) and managed through ENR. The internal process reflects its role as a financing agency. Improvements have and are being made to streamline approvals. Activities were constrained by efforts required to start up concurrently at the national, regional and sectoral levels.

Constraints	The emphasis on building local capabilities requires time and money but the net result - the creation of locally manager, self-sustaining programmes is well worth the effort and cheaper in the long run.
International Bank for Reconstruction and Development (World Bank)	
Role	Helps develop country programmes for large ODS consumers and producers in the developing world. Identifies, evaluates, provides resources and supervises investment projects, technical training, and institutional strengthening to contribute to ODS elimination.
Organization	A much larger permanent staff than either UNEP or UNDP and an established network of independent environmental consultants. The Montreal Protocol Operations Team is located within the Global Environment Coordination Division (GECP) which is itself part of the Central Environment Department. The co-ordination function which was previously in the region has been centralized in the GECP. The MP Operations Team consists of an Operations Coordinator, a Technical Coordinator and two Regional Operations Coordinators. Task Management responsibilities are handled mainly by the Country Departments, with assistance from the MP Operations Team. The Ozone Operations Research Group (OORG) provides external reviews of country programmes and project preparation/implementation by recognized independent experts. To improve performance, the Bank created the Ozone Operations Research Group (OORG), improved project documentation, made managers more accountable and streamlined its organizational structure. The Global Environmental Steering Committee consists of senior regional managers who advise on operational and policy issues.
Operating Philosophy	A "results-oriented and pro-active" approach seeks a speedy turn-around in preparing country programmes by depending on technically competent consultants familiar with World Bank procedures. Local talent is used whenever possible and appropriate.
Co-ordination	The World Bank enjoys established relations with most of the countries with which it works on Fund activities, especially with the USEPA whose bilateral activities are often done in concert with the Bank. Co-ordination with the other Implementing Agencies which was informal and ad hoc has been consolidated through annual work programme co-ordination sponsored by the Fund Secretariat and regular communications and mission co-ordination among Implementing Agencies. The World Bank and UNDP have clarified their responsibilities to reduce overlap. UNIDO's focus on smaller projects will relieve the Bank from managing such projects.
Process	Established procedures are effective in lending activities but must be adapted to the small size and unconventional features of Fund activities. Changes in reporting have been made to adapt to the EC's requirements.
Constraints	Traditionally financing very large projects, involvement in the Montreal Protocol has required that the Bank adapt to smaller initiatives and work on non-financial matters such as institution building, co-ordinating government participation, and technology transfer.

UNIDO

UNIDO was established by the United Nations in 1967 with a mandate to help developing countries achieve growth. UNIDO sees environmental issues as critical to future development. To help the developing countries acquire the expertise they need and use innovative technologies to deal with environmental issues, UNIDO has started a Technology Information Bank; it mounted intensive training programs on environmental issues; and it dedicated resources to the examination of clean technologies. UNIDO's growing concern with environmental issues has led UNIDO to become more interested in the activities of the Montreal Protocol.

UNIDO sees its own role as that of an Implementing Agency that can deploy technology experts to provide concrete technology assistance to developing countries. Many developing country enterprises are now hiring UNIDO to implement projects in their countries. UNIDO identifies experts and sometimes takes care of the staffing and operational requirements of entire manufacturing plants.

Despite the size of some of its undertakings, UNIDO believes that it is best equipped to work on smaller projects with the Montreal Protocol Fund. Its own in-country involvement promises an expeditious approach to implementation.

UNIDO is responding to its direct involvement with the operations of the Fund by assigning it to a special task force composed of four people in the Industrial Operations Technology Division. This group will interface directly with the Secretariat on a day-to-day basis in order to implement projects properly.

The agreement between UNIDO and the MFMP was signed in October 1992 and ratified by the UNIDO Board in November. Since then, UNIDO has sent six missions to developing countries that have asked it to implement Montreal Protocol projects. Some of these projects were also presented to the other Implementing Agencies and improved co-ordination will be needed to avoid duplication. At a meeting on February 4th and 5th, 1993, the four Implementing Agencies discussed their respective approaches and agreed that each should specialize in certain areas. UNIDO will define its specialization by June, 1993.

APPENDIX III**CONTRIBUTIONS AND FUND DISBURSEMENTS****MULTILATERAL FUND
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL****Status of the Fund as at 24 June 1993**

US dollars

INCOME

Contributions received	115,816,603
Interest	1,982,732
Miscellaneous income	1,442,103
TOTAL	119,241,438

DISBURSEMENTS

U N D P	15,305,953
U N E P	5,886,820
U N I D O	491,500
World Bank	58,156,840
Secretariat	6,571,276
Programme support	284,452
TOTAL	86,696,841

BALANCE AVAILABLE 32,544,597

TRUST FUND FOR THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL
(as at 24 June 1993) (US dollars)

Country	Unpaid Contributions as at 31.12.92	Net Contributions for 1993	Collection in 1993	Unpaid Contribution for prev yrs	Unpaid Contribution for 1993	Total unpaid Pledges
Australia	(17,094)	2,007,550	0	0	1,990,456	1,990,456
Austria	625,456	999,272	625,456	0	999,272	999,272
Bahrain	29,457	39,971	0	29,457	39,971	69,428
Belgium	988,896	1,412,304	988,896	0	1,412,304	1,412,304
Belarus	486,043	639,534	0	486,043	639,534	1,125,577
Bulgaria	126,782	173,207	0	126,782	173,207	299,989
Canada	522,340	4,143,646	3,267,479	0	1,398,507	1,398,507
Czechoslovakia	418,394	732,799	0	418,394	732,799	1,151,193
Denmark	0	866,035	0	0	866,035	866,035
Finland	0	759,446	0	0	759,446	759,446
France ²	9,205,363	7,994,173	2,680,497	6,524,866	7,994,173	14,519,039
Germany	(18,378)	11,897,994	0	0	11,879,616	11,879,616
Greece	216,145	466,327	0	216,145	466,327	682,472
Hungary	309,300	239,825	0	309,300	239,825	549,125
Iceland	0	39,971	25,356	0	14,615	14,615
Ireland	0	239,825	0	0	239,825	239,825
Israel	0	306,443	0	0	306,443	306,443
Italy	1,082,074	5,715,834	0	1,082,074	5,715,834	6,797,908
Japan	0	16,587,909	0	0	16,587,909	16,587,909
Korea, Rep. of	0	919,330	0	0	919,330	919,330

² The Government of France has deposited Ffr 93 177 637,01 in a treasury bill current account at the Banque de France in the name of Montreal Protocol Multilateral Fund representing the equivalent of its 1991, 1992 and 1993 contributions. Of this amount, Ffr 14 300 506,87 equivalent to US \$2,680,497.38 has been encashed and deposited in the Multilateral Fund Account in New York as indicated in the table. The Government of France has indicated to the Treasurer that the balance will be made available to the Multilateral Fund according to the following encashment schedule - 30 June 1993: Ffr 18 635 527,40; 30 June 1994: Ffr 18 635 527,40; 30 June 1995: Ffr 18 635 527,40; 30 June 1996: Ffr 14 362 422,45; 30 June 1997: Ffr 8 608 125,49.

Country	Unpaid Contributions as at 31.12.92	Net Contributions for 1993	Collection in 1993	Unpaid Contribution for prev yrs	Unpaid Contribution for 1993	Total unpaid Pledges
Kuwait	0	286,549	0	0	286,549	286,549
Liechtenstein	(8,437)	13,324	0	0	4,887	4,887
Luxembourg	0	79,942	50,713	0	29,229	29,229
Malta	21	13,324	0	21	13,324	13,345
Monaco	0	7,483	0	0	7,483	7,483
Netherlands	0	1,998,543	0	0	1,998,543	1,998,543
New Zealand	0	319,767	319,767	0	0	0
Norway	0	732,799	0	0	732,799	732,799
Poland	0	626,210	0	0	626,210	626,210
Portugal	265,115	266,472	0	265,115	266,472	531,587
Russian Federation	14,713,852	8,940,150	0	14,713,852	8,940,150	23,654,002
Saudi Arabia	0	756,928	0	0	756,928	756,928
Singapore	0	159,883	90,883	0	69,000	69,000
South Africa	0	546,268	546,268	0	0	0
Spain	0	2,638,077	0	0	2,638,077	2,638,077
Sweden	15	1,478,922	0	15	1,478,922	1,478,937
Switzerland	15	1,545,540	0	15	1,545,540	1,545,555
Ukraine	1,841,073	2,491,517	0	1,841,073	2,491,517	4,332,590
United Arab Emirates	279,843	279,796	0	279,843	279,796	559,639
United Kingdom ³	3,714,654	6,688,458	2,388,140	1,326,514	6,688,458	8,014,972
United States	(211,172)	28,334,903	15,000,000	0	13,123,731	13,123,731
Uzbekistan	0	216,390	0	0	216,390	216,390
T O T A L	34,569,757	114,602,640	25,983,455	27,619,509	95,569,433	123,188,942

³ The Government of the United Kingdom has deposited a Promissory Note in an Account in the name of the UNEP Montreal Protocol Multilateral Fund at the Bank of England covering the balance of its pledge up to 1993 to the Multilateral Fund. The Government of the United Kingdom has indicated to the Treasurer the following schedule of encashment against this Promissory Note: July 1993 \$1,332,495; December 1993 \$1,332,495; July 1994 \$1,332,495; December 1994 \$1,332,495; July 1995 \$1,332,495; December 1995 \$1,330,024.