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

Fourth Meeting
Nairobi, 17-18 June 1991

REPORT BY THE FUND SECRETARIAT

This document is a report on the activities of the Secretariat including tasks assigned to it by the Executive Committee at its third meeting, as well as the status of contributions received, and disbursements, in the Fund as at 31 May 1991.

A. Activities

Since the last Executive Committee meeting the Secretariat has:

- (1) prepared, in all five official languages, the draft report of the third meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/3/18);
- (2) prepared, in all five official languages, the Draft Report of the Executive Committee to the Third Meeting of the Parties (UNEP/OzL.Pro/ExCom/4/12). This is a summary of reports of the previous three meetings of the Executive Committee with the three reports annexed to it. This document was dispatched to the Ozone Secretariat in UNEP for distribution to the Parties to the Montreal Protocol;
- (3) participated in a one-day meeting of the implementing agencies (UNDP, UNEP, World Bank) held at the World Bank headquarters, Washington, D.C., on 29 April 1991 for further discussions on the agencies' work programmes. The Chief Officer of the Fund Secretariat, was assisted by a consultant, recruited and paid for, by the Government of Canada. Subsequent to this meeting, the Secretariat developed a format for integrating the implementing agencies' work programmes (Annex I);

- (4) received two staff members from the U.S. Environmental Protection Agency (EPA) who had consultations with the Fund Secretariat on 13-14 May in response to a request for assistance from the Chief Officer which he made during a meeting on 30 April with officials of that Agency;
- (5) prepared job descriptions for the five remaining professional vacancies. Job descriptions for two general support staff have been advertised locally through ICAO for immediate recruitment;
- (6) received and commented on work programmes of UNDP, UNEP and the World Bank;
- (7) received texts of draft agreements of UNDP, UNEP and the World Bank with the Executive Committee, and send them to the consultant provided by Environment Canada for revision of the texts in light of recommendations of the open-ended group formed during the third meeting of the Executive Committee;
- (8) requested the three implementing agencies to provide the Fund Secretariat with information on the basis on which costing for consultants, seminars, training courses and other standard items of expenditure have been calculated. The Fund Secretariat has not received the agencies' response;
- (9) received comments from six members of the Executive Committee in response to a request from the Fund Secretariat on the form in which future proposals on funding should be submitted to the Executive Committee (paragraph 71, UNEP/OzL.Pro/ExCom/3/18). The Secretariat further developed these comments into a proposal for consideration at the fourth meeting of the Executive Committee (Annex II);
- (10) prepared a proposal on "Assessment of Bilateral Contributions" as an addition to Implementation Guidelines, for consideration at the fourth meeting of the Executive Committee (Annex III);
- (11) sent letters to all Article 5 Paragraph 1 Parties inviting them to participate in the Fund activities (Annex IV);
- (12) drafted a text of an information brochure describing the Interim Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer (Annex V);

- (13) co-ordinated with UNEP for the arrangements of the fourth Executive Committee meeting; and
- (14) sent letters of invitations and meeting documentation to UNIDO and the five regional development banks to participate in the fourth meeting of the Executive Committee. The Asian Development Bank and the European Investment Bank (Luxembourg) declined the invitation to attend the meeting.

B. <u>Status of Fund</u> (as of 31 May 1991)	<u>US \$</u>
I. Income	
1. Contributions	10,197,609
2. Interest accrued (as of 30 April 1991)	
Total income	10,197,609
II. Disbursements to:	
1. Fund Secretariat	240,000*
2. UNDP	750,000
3. UNEP	500,000
4. World Bank	1,500,000
Total disbursements	2,990,000
III. Balance	7,207,609

* Does not include salary and related costs paid from Nairobi.

SUMMARY OF PROPOSED IMPLEMENTING AGENCY ACTIVITIES

[illegible]

Annex II

Summary of Comments Regarding Paragraph 71 in draft report of the third meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/3/18) which states:

"71. The Executive Committee took note of the country studies received from Egypt and Thailand. It requested the Fund Secretariat, in submitting documents for its fourth meeting, to prepare for each country programme a cover page showing the title of the project and text describing its objectives, its links to the Montreal Protocol, the amount requested, and a recommendation on the project by the Secretariat or by one of the implementing agencies. An annex should contain a detailed description of the project. In addition, the Committee decided that members should transmit to the Fund Secretariat within two weeks from the end of the current meeting their views on the form in which future proposals on funding should be submitted to the Executive Committee."

Six members of the Executive Committee provided comments to the Secretariat.

I. Country Programme Cover Page

Country programmes are to be prepared by each Party operating under Paragraph 1, Article 5. Support under the Multilateral Fund shall be available for the development of these country programmes. Country programmes can be developed by the country itself or in cooperation with an implementing agency or through bilateral support.

One of the functions of the Executive Committee is to consider and approve country programmes (see I.1 (g) in Annex III of the above-mentioned report).

To assist in the review, the Secretariat shall prepare a cover page for each country programme submitted to the Executive Committee which summarizes the following:

- i) a review of production, imports, applications and use of controlled substances by the main producers, users, and consumers;
- ii) a description of the institutional and policy framework governing controlled substances and government and industry activities under the Protocol;
- iii) a statement of strategy and an action plan for implementing the Protocol's control requirements; and
- iv) a timetable and budget for these activities.

The cover page shall also include a recommendation by the Secretariat for action by the Executive Committee to approve or disapprove a country programme. If required, the Secretariat can invite qualified independent consultants to examine, study and ensure that country programmes adequately address the elements described in II.1 in Annex III of the above-mentioned report.

II. Other Project Proposals (e.g. training, technical assistance, preparation of pre-investment studies, etc.)

1. Project proposals will frequently be developed in the context of country programmes and would be included in the appropriate implementing agency's work programme. These country programmes will be reviewed and approved by the Executive Committee in those contexts. In cases where bilateral support was involved in developing the project or where a country developed the project itself, the project proposal could come to the Secretariat for distribution to the appropriate implementing agency (see II.3 in Annex III, UNEP/OzL.Pro/ExCom/3/18).

2. Project proposals where the incremental costs exceed \$500,000 need to be formally submitted by the country to the Fund Secretariat for review and approval by the Executive Committee.

3. For project proposals, where the incremental costs exceed \$500,000, the Secretariat shall prepare a cover page which will include key information such as project title, project description, project objectives including the amount of reduced use of controlled substances, budget, rationale for funding under the Multilateral Fund, the review of an implementing agency (if any were involved), and a statement of implementation strategy. Where useful, the Secretariat can arrange for qualified independent consultants to evaluate the project proposal. The cover page should also include a recommendation from the Secretariat for approval or disapproval by the Executive Committee.

4. If a project proposal, where the incremental costs exceed \$500,000 is disapproved by the Executive Committee, it may invite the proponent of the project to appear at the next Executive Committee meeting to discuss the proposal. The one-time travel and per diem costs will be paid by the Fund Secretariat. This invitation shall not apply to situations where a project proposal is returned to the applicant as incomplete.

DRAFT FOR COVER SHEET OF COUNTRY PROGRAMMES

COUNTRY _____		START COMPLETE								BUDGET					
										1 000 US \$					
										1991		1992		1993	
		Planned		Actual		Planned		Actual		Planned		Actual			
		Year	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Month		
I	COUNTRY PROGRAMME														
	- COUNTRY STUDY OF PRODUCTION/USES														
	- STATEMENT OF IMPLEMENTATION STRATEGIES														
	- ACTION PLAN AND TIMETABLE														
	LEAD NATIONAL AGENCY:														
	LEAD IMPLEMENTING AGENCY:														
II	INVESTMENT PROJECTS														
	A. DESCRIPTION: _____														
	- PROJECT IDENTIFICATION														
	- PROJECT PREPARATION														
	- PROJECT FUNDING														
	LEAD NATIONAL AGENCY:														
	LEAD IMPLEMENTING AGENCY:														
	B. DESCRIPTION: _____														
	- PROJECT IDENTIFICATION														
	- PROJECT PREPARATION														
	- PROJECT FUNDING														
	LEAD NATIONAL AGENCY:														
	LEAD IMPLEMENTING AGENCY:														
III	PRE-INVESTMENT PROJECTS														
	A. DESCRIPTION: _____														
	- PROJECT IDENTIFICATION														
	- PROJECT PREPARATION														
	- PROJECT FUNDING														
	LEAD NATIONAL AGENCY:														
	LEAD IMPLEMENTING AGENCY:														
IV	OTHER PROJECTS														
	A. TRAINING: _____														
	B. INSTITUTIONAL SUPPORT: _____														
	C. WORKSHOPS: _____														

Annex III

ASSESSMENT OF BILATERAL CONTRIBUTIONS

It is proposed to add a new section VII entitled, "Assessment of Bilateral Contributions" to Implementation Guidelines and Criteria for Project Selections (UNEP/OzL.Pro/ExCom/3/18/Annex III).

This section describes rules and procedures governing the use of bilateral contributions under the Multilateral Fund.

In its decision II-8 to establish the Multilateral Fund, the Parties agreed that "Bilateral and, in particular cases agreed by a decision of the Parties, regional cooperation may, up to twenty percent and consistent with any criteria specified by decision of the Parties, be considered as a contribution to the Multilateral Fund, provided that such cooperation as a minimum:

- a. strictly relates to compliance with the Provisions of the Protocol;
- b. provides additional resources; and
- c. meets agreed incremental costs."

The decision includes as one of the functions of the Executive Committee

" To assess annually whether the contributions through bilateral cooperation, including particular regional cases, comply with the criteria set out by the Parties for consideration as part of the contributions to the Multilateral Fund."

Bilateral cooperation can be used for any of the purposes for which the Multilateral Fund was established. It can be used to support activities that relate to meeting the agreed incremental costs of complying with the control measures set out in the Protocol and its amendments. These activities can include assistance to Parties operating under Article 5, paragraph 1 to develop country programmes and to prepare or support project proposals (e.g., country studies, pre-investment studies, training, technology development, capital investments). Bilateral cooperation can take the form of grants or in-kind contributions.

To qualify as bilateral cooperation, the specific activities and the funds allocated for them must be agreed to by the recipient country.

Finally, only those activities that meet the interim project eligibility criteria contained in Section III can qualify as a bilateral contribution under the Fund.

The Fund Secretariat shall be notified of all activities that are being funded through bilateral cooperation and shall maintain a listing of these activities. It shall prepare annually a report that summarizes the activities funded in this manner. In preparing this report, the Fund Secretariat shall verify that these activities comply with the requirements set out above, and that the amount does not exceed 20 percent of that donor country's contributions to the Multilateral Fund.

In those cases where a country desires clarification of whether a particular activity qualifies as eligible for bilateral cooperation under the Multilateral Fund, it, along with the donor country, may submit the proposal to the Secretariat for its review. In these cases, to avoid delays in starting these projects, the Fund Secretariat, in consultation with the Chair and Vice-Chair of the Executive Committee, shall advise whether or not it satisfies the criteria stated above and therefore would qualify as eligible for funding under the Multilateral Fund.

Annex IV

Letter to Article 5 Paragraph 1 Parties

Dear Sir,

The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer have established an Interim Financial Mechanism including a Multilateral Fund. The Financial Mechanism will provide financial support and promote technical co-operation within the scope of the Protocol. It will assist those developing countries which are Parties to the Protocol and have an annual per capita consumption level of controlled substance less than 0.3 kilograms. The Mechanism will aid your country in complying with the Protocol's control measures.

The Fund is led by an Executive Committee. The Executive Committee is assisted by a Secretariat which is the agent for administering the Fund. The Secretariat is located in Montreal, Canada. It monitors the disbursements, expenditures and activities of funds and prepares implementation performance reports.

Each country which is an eligible Party should develop and submit to the Executive Committee a country programme which, inter alia, provides information on the source, application and use of controlled substances under the Protocol; descriptions of the institutional and policy frameworks governing these substances and government and industry activities in response to the Protocol's requirements. It should also include a strategy statement for implementing the Protocol and an action plan, timetable and budget for activities in the plan. Implementing agencies, other countries and other agencies may assist in developing the country programme. The programme can also include other projects meeting applicable criteria; e.g., training, workshops, technology development and certain capital investments.

The United Nations Environment Programme, The United Nations Development Programme and the World Bank have been invited by the Executive Committee to serve as implementing agencies to assist eligible Parties to meet the terms of the Protocol. The implementing agencies will develop work programmes with eligible countries with the support of the Fund, specifying activities and projects, their time frames and co-ordination. Eligible Parties may also be aided by other countries, through bilateral assistance and by other agencies invited to co-operate by the Executive Committee.

The Secretariat would appreciate receiving by 15 July, 1991 an indication of your country's interest in receiving financial assistance from the Multilateral Fund to assist in meeting the control measures of the Montreal Protocol. This indication should describe any steps already taken to meet the terms of the Protocol and any direct support your country is receiving from other sources in meeting the Protocol's requirements.

Sincerely yours,

Dr. Omar E. El-Arini
Chief Officer

ANNEX V

Draft Text of a Brochure

The Interim Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

The Interim Multilateral Fund was established by the countries which are Parties to the Montreal Protocol at their second meeting, held in London, UK in June 1990. It began operation in Montreal, Canada in February, 1991 to assist eligible Parties in meeting the requirements of the Protocol. The Fund is planned to have between \$160 and \$240 million for disbursement and support of its activities during 1991-1993. It is a key element in implementing the Protocol.

Under the 1987 Montreal Protocol on substances that Deplete the Ozone Layer, 71 countries, Parties to the Protocol, and the European Economic Community agreed to take steps individually and together to reduce the use of CFCs, halons, carbon tetrachloride and trichloromethane, called controlled substances, the primary agents in the destruction of stratospheric ozone and depletion of the atmospheric ozone layer. According to the Protocol, as amended by the Second Meeting of the Parties in London in June 1990, levels of consumption of these substances are to be reduced to zero between the years 2000 and 2005, depending on the substance, with ten years grace period for Article 5, Paragraph 1 countries. At their second meeting, the Parties also agreed to establish an Interim Financial Mechanism, including an Interim Multilateral Fund, to provide financial support and promote technical co-operation in reducing as rapidly as possible controlled substance emissions into the atmosphere. The Interim Multilateral Fund is available to benefit those Parties to the Protocol which are developing countries and which have an annual per capita consumption level of identified controlled substances totalling less than 0.3 kilograms (Article 5 Paragraph 1 countries), in reducing emissions.

The Interim Multilateral Fund can aid eligible countries to meet their commitments under the Protocol in several ways. It can meet the incremental costs accrued to these countries by:

- Financing clearing-house functions assisting in country-specific studies and other activities intended to identify needs for co-operation in meeting the Protocol's requirements;
- Facilitating technical co-operation in meeting these identified needs;
- Distributing information and materials on technologies, alternatives and control strategies useful in reducing CFC and halon emissions;
- Holding workshops, training sessions and related activities for the benefit of eligible Parties;

- Financing (investment) projects; and
- Facilitating and monitoring other multilateral, regional and bilateral co-operation opportunities and mechanisms available to eligible parties.

The Multilateral Fund receives its money primarily from contributions by Parties to the Montreal Protocol. Countries which are not parties and other sources may also contribute.

The Fund is guided by an Executive Committee which develops and monitors the implementation of its operational policies, guidelines, disbursements and administrative arrangements. The Executive Committee consists of a balanced representation selected from Parties eligible to receive support from the Fund and other Parties to the Protocol. The Committee is assisted by the Fund Secretariat, located in Montreal, Canada, which is the agent for administering the Fund. The Secretariat develops the plan and budget for the Fund, monitors disbursements and expenditures, assesses activities under the Fund, recommends actions to the Executive Committee, and is the principal liaison between the Executive Committee, governments, implementing and other agencies co-operating under the Protocol.

The Executive Committee has invited the United Nations Environment Programme, the United Nations Development Programme and the World Bank to serve as implementing agencies to assist the eligible Parties in meeting the terms of the Protocol. The implementing agencies with the support of the Fund will develop work programmes directed to this end with the Parties, specifying activities and projects, their time frames and co-ordination. Eligible Parties may also be aided by other countries, through bilateral and multilateral assistance and by other agencies invited to co-operate by the Executive Committee.

An important step for countries which are eligible parties in undertaking compliance with the Montreal Protocol is the development of a country programme which, inter-alia, provides information on the source, application and use of controlled substances under the Protocol, descriptions of institutional and policy frameworks governing these substances and government and industry activities in response to the Protocol's requirements. The country programme should also include a strategy statement for implementing the Protocol and an action plan, timetable and budget for activities in the plan. Implementing agencies, other countries and external agencies may assist in developing country programmes. The programme can also include other projects meeting applicable criteria; e.g., training, workshops, technology development and certain capital investments. Country programmes will be reviewed by the Executive Committee.

For further information on the Multilateral Fund, its role, capabilities and administration, inquiries may be addressed to:

The Interim Multilateral Fund Secretariat
1800 McGill College Ave.
27th floor
Montreal, Quebec
Canada H3A 3J6

INTERIM MULTILATERAL FUND FOR THE FINANCIAL MECHANISM
UNDER THE MONTREAL PROTOCOL
(as at 22.5.1991)

	<u>1991 Pledge</u>	<u>Paid for 1991</u>	<u>Outstanding for 1991</u>
	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
Australia	985,407	387,800	597,607
Austria	464,459	-	464,459
Bahrain	12,553	-	12,553
Belgium	734,348	-	734,348
Byelorussian SSR	207,124	-	207,124
Canada	1,939,432	1,939,432	-
Denmark	433,077	433,077	-
Finland	320,100	320,100 1/	-
France	3,922,799	-	3,922,799
Germany	5,874,648	-	5,874,648
Greece	251,059	-	251,059
Hungary	131,806	-	131,806
Iceland	18,829	-	18,829
Ireland	112,977	-	112,977
Italy	2,504,315	-	2,504,315
Japan	7,142,633	-	7,142,633
Liechtenstein	6,275	6,275	-
Luxembourg	37,659	-	37,659
Malta	6,276	6,254	12
Netherlands	1,035,619	-	1,035,619
New Zealand	150,635	-	150,635
Norway	345,206	345,206 1/	-
Panama	12,553	-	12,553
Portugal	112,977	-	112,977
Singapore	69,041	-	69,041
South Africa	282,442	-	282,442
Spain	1,223,913	-	1,223,913
Sweden	759,454	759,454	-
Switzerland	677,860	-	677,860
Ukrainian SSR	784,560	-	784,560
USSR	6,270,202	-	6,270,202
United Arab Emirates	119,253	-	119,253
United Kingdom	3,050,369	-	3,050,369
United States of America	13,333,333	1,000,000 5,000,000	7,333,333
TOTAL	53,333,194	10,197,609	43,135,585
	=====	=====	=====

1/ Paid in 1990