



**United Nations
Environment
Programme**



Distr.
LIMITED

UNEP/OzL.Pro/ExCom/17/54
2 July 1995

ORIGINAL: ENGLISH

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

Seventeenth Meeting
Montreal, 26-28 July 1995

**DRAFT REPORT FROM THE EXECUTIVE COMMITTEE TO THE TWELFTH
MEETING OF THE OPEN-ENDED WORKING GROUP**

Introductory Note

At its 11th Meeting, the Open-ended Working Group requested the Executive Committee, inter-alia, to examine the Report on the Review of the Financial Mechanism (the Report), and provide advice to the Parties on responding to the Report, through the Open-ended Working Group at its 12th Meeting.

A draft report from the Executive Committee to the Open-ended Working Group has been prepared for the consideration of the Committee. It is presented as Annex I to this document. In keeping with the request of the Open-ended Working Group, the draft report proposes action plans and performance indicators for each of the recommendations in the Report. The draft report has been prepared taking into account the five issues to which the Open-ended Working Group requested special attention be given, and the comments from nine Parties submitted to the Ozone Secretariat. (These comments are included for information as Annex II to this document).

ANNEX I**DRAFT****REPORT FROM THE EXECUTIVE COMMITTEE TO THE TWELFTH MEETING OF
THE OPEN-ENDED WORKING GROUP**

1. At its 11th Meeting, the Open-ended Working Group of the Parties to the Montreal Protocol requested the Executive Committee, *inter-alia*, to examine the Report on the Review of the Financial Mechanism (the Report), and provide advice on responding to the Report to the Parties through the Open-ended Working Group at its 12th Meeting. The requests made by the Open-ended Working Group at its 11th Meeting are reproduced as Appendix I.
2. The information provided and the actions proposed in this report constitute the response of the Executive Committee to the request. In some cases, the findings are that refinement of, and more explicit focus on, policies, activities and processes currently applied by the Executive Committee will produce the improvements in efficiency and effectiveness envisaged in the Report. In other cases, modification or further development of policies which are compatible with the Executive Committee's Terms of Reference are suggested. In a small number of cases, the courses of action proposed will require consideration by the Parties. For these cases, recommendations to the Parties are presented.
3. The Report and the recommendations in it are wide-ranging and comprehensive. The Executive Committee believes that the focus should remain clearly on responding to the Report and its existing recommendations, as proposed in the request from the Open-ended Working Group. Therefore, no further recommendations, additional to those made in the Report, are proposed.
4. Action plans and performance indicators developed by the Executive Committee in response to the request of the Open-ended Working Group are presented in a tabular form as Appendix II, together with the summaries of recommendations to which they refer and the reference to the relevant paragraphs of the Report.

APPENDIX I

**EXTRACT FROM THE REPORT OF THE ELEVENTH MEETING OF THE
OPEN-ENDED WORKING GROUP**

141. After a short discussion, the Working Group decided:

(a) To request the Executive Committee to examine the report on the review of the Financial Mechanism and the discussions at the eleventh meeting of the Open-ended Working Group, and to respond to the recommendations in the following ways:

- (i) Prepare action plans for the implementation of the recommendations;
- (ii) Develop performance indicators to monitor the above action plans;
- (iii) Identify unresolved recommendations and other issues not fully addressed;
- (iv) Report to the Open-ended Working Group at its twelfth meeting. The Working Group decided that the subgroup should consider that report at a meeting in Geneva on 27 August 1995, immediately before the twelfth meeting of the Working Group;

(b) To request the Executive Committee to give special attention at its seventeenth meeting to the following issues identified by the subgroup:

- (i) Procedures for the implementation and monitoring of projects with views from the Parties and the implementing agencies;
- (ii) A strategic approach instead of a case-by-case one to the preparation and approval of projects from a programme perspective;
- (iii) Innovative mobilization of existing and additional resources in support of Protocol objectives;
- (iv) Ownership of country programmes and projects by actors at all levels including enterprises, implementing agencies and Governments; and
- (v) Cost-effectiveness of the Fund activities and agreed incremental costs in light of the experience of Article 5 countries and the need to ensure protection of the ozone layer;

The Working Group did not see the above list as an exhaustive one. Parties that were not present at the eleventh meeting of the Working Group as well as other Parties could submit their observations/comments to the Ozone Secretariat before 10 June 1995;

(c) To request the subgroup at its meeting prior to the twelfth meeting of the Working Group to consider the following and report thereon to the Working Group at its twelfth meeting:

(i) All observations/comments by Parties submitted to the Ozone Secretariat by 10 June 1995, which should be circulated to members of the subgroup; and

(ii) The Executive Committee's response to the report.

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APPENDIX II

**RECOMMENDATIONS OF THE REPORT ON THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL:
IMPLEMENTATION PLANS AND PERFORMANCE INDICATORS PROPOSED BY THE EXECUTIVE COMMITTEE**

Contents:

- Column 1 Abbreviated recommendations from the Report, with references to paragraph numbers in the body of the Report (not the Executive Summary, which has separate paragraph numbering).
Column 2 Progress on activities or actions proposed in the recommendations, up to June 1995.
Column 3 Proposals by the Executive Committee for future action.
Column 4 Proposed performance indicators to monitor progress with implementation of the recommendations.

RECOMMENDATION GROUP 1:

PROJECT PREPARATION, REVIEW, APPROVAL AND EVALUATION: A MORE STRATEGIC APPROACH

<u>Recommendation</u>	<u>Progress to date</u>	<u>Future Action</u>	<u>Performance Indicators</u>
1. Paragraphs 90/91/101. In due course, move towards more delegation to the implementing agencies after main policy issues are resolved, equipment eligibility and cost indicators agreed, Small Project Approval Procedure (SPAP) evaluated and monitoring guidelines in place.	Initial project templates completed for foam and domestic refrigeration. The implementing agencies and the Secretariat are developing a common database of project costs and designs. At its 17th Meeting the Executive Committee [adopted guidelines for monitoring and evaluation].	Action by Executive Committee. Complete development of : • a systematic approach to policy development (see Para. 92 below). • monitoring and evaluation guidelines. • project templates for all sectors. SPAP to be evaluated on completion of the current project group.	Project Evaluation and Monitoring system to be in place by the end of 1995. The project review process to be examined by the Executive Committee no later than six months after it has concluded that the preconditions for increased delegation set in the recommendations in paragraphs 90 and 91 have been met.
2. Paragraph 92. Establish administrative processes to better facilitate policy decision-making by developing a list of outstanding policy issues, having the Secretariat and a lead implementing agency develop and present a range of discrete options for Executive Committee consideration.	A substantial body of policy decision has been built up over 15 meetings. It is documented in the "Policies, Procedures and Guidelines" manual. Implementing agencies currently develop policy papers in cooperation with the Secretariat. Experience has shown that not all policy issues are foreseeable at any one time.	Action by Executive Committee. List of foreseeable policy issues to be drafted with the help of the implementing agencies and the Fund Secretariat over the next two meetings. Secretariat and Implementing Agencies to produce consensus options for consideration by the Executive Committee prior to submission of projects in which issues are raised.	The number of policy issues remaining outstanding by late 1996. <u>Note:</u> New policy issues are likely to continue to emerge, but would be dealt with more expeditiously with refined administrative processes.

Recommendation	Progress to date	Future Action	Performance Indicators
3. Paragraph 93. Develop specific rules regarding procedure to be followed if a party is in discussion of a project in which it has a direct interest.	The issue was considered by the Committee at its 11th and 17th Meetings. The decision taken at the 17th Meeting was: ["Committee Members may participate in discussion of a project in which they have a direct interest only when invited by the Chair with the concurrence of all Members."]	Action by Executive Committee. Ensure that the objectivity of the Committee is maintained and that all project proposals are given equal consideration [by monitoring the effects of the decision taken at the 17th Meeting.]	It should be evident from records of Meetings of the Executive Committee that all projects are given equal treatment by the Committee.
4. Paragraphs 94/95/109. The Secretariat and implementing agencies should: • review procurement experiences and, in cooperation, update database of capital equipment costs based on experience in open bidding and actual implementation costs incurred; • collaborate on further development of the inventory of approved equipment in investment projects and a negative indicative list, the latter of which should be endorsed by the Executive Committee.	The Secretariat currently maintains a database of actual project costs. At its 16th Meeting, the Executive Committee requested the Secretariat and Agencies to prepare a document on real costs from approved projects. The implementing agencies and the Secretariat have commenced developing a common database of project equipment and costs together with a list of standard project outlines (called templates).	Action by Executive Committee. Oversee the completion by the implementing agencies and the Secretariat, jointly, by the end of 1995 of a comprehensive, integrated database common to all agencies and the Secretariat, in conjunction with the completion of standard project outlines (templates). After evaluation of the use of project templates and the equipment cost database, the Executive Committee will review again the option of a negative indicative list.	A decrease in the number of projects undergoing substantial revision and in proposed project costs sought through the project review process in preparation for submission to the Committee. To be reviewed in mid-1996.

Recommendation	Progress to date	Future Action	Performance Indicators
5. Paragraphs 108/581. Further clarification of incremental costs needed with some major issues still outstanding, for example production sector eligibility. Mechanism to quickly and clearly communicate precedent setting decisions should be established.	Action underway in relation to Paragraphs 92 (resolve policy issues) and 94 (capital equipment costs) will form the major part of the work needed to further clarify incremental costs. At its 16th Meeting the Executive Committee took measures to assist communication of policy decisions. The Executive Committee has approved various production sector projects involving halon replacements, intermediate chemicals for foam blowing. Methodologies for incremental cost calculations for CFC substitutes are being developed.	Action by Executive Committee. The Executive Committee will examine the effectiveness of new policy dissemination procedures in early 1996. The Executive Committee will consider a report on incremental costs for the production of CFC-substitutes at the 18th Meeting. Production sector eligibility is on the agenda of the 12th Open-ended Working Group for the consideration of the Parties.	The main indicators for the communication of policy decisions are the reduction in the extent of project revision during the review process, similarly to the outcome from Paragraphs 92, 94 and 109, and the degree to which national ozone protection units and consultants consider they have sufficient information to guide project development. Incremental cost guidelines for the production of CFC-substitutes completed by early 1996.
6. Paragraphs 117/119. The Executive Committee should work to design a regime of cost-effectiveness boundaries that focuses on subsectors or projects with good cost-effectiveness while not unequivocally discriminating against certain countries, groups of countries, sectors or subsectors.	The Executive Committee developed such a regime at its 16th Meeting - using most but not all of the criteria included in the Report. The regime is to be reviewed at the end of 1995.	Action by the Executive Committee Evaluate the regime adopted for 1995 at the 18th Meeting taking into account the Report's recommendations.	Adoption of a finalized regime of cost-effectiveness boundaries by the beginning of 1996.

Recommendation	Progress to date	Future Action	Performance Indicators
7. Paragraph 120. If application of the above regime excludes important groups of enterprises, the Fund should consider lump sum payment.	Earmarking of discretionary funds for projects, sectors or countries, including low-consuming countries has been included in the 1995 cost-effectiveness scheme.	Action by the Executive Committee Consider in the light of experience with the 1995 interim cost-effectiveness scheme. Additionally, examine in the context of the sectoral strategy concept now being developed.	By the end of 1996, conclusion by the Executive Committee that the issue has been satisfactorily addressed through mechanisms established for the equitable allocation of funds.

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RECOMMENDATION GROUP 2:

MORE EFFECTIVE RESULTS FROM INSTITUTIONAL STRENGTHENING: PROPORTIONATE COMMITMENT; OWNERSHIP; COUNTRY PROGRAMMES; NON-FUND RESOURCES IN SUPPORT OF PHASE-OUT; SECTORAL STRATEGIES; COMMERCIAL LOANS

<u>Recommendation</u>	<u>Progress to date</u>	<u>Future Action</u>	<u>Performance Indicators</u>
Ways to advance the support for ODS phase-out and increase the benefits for ODS phase-out gained from investment and other projects in Article 5 countries include: 8. Paragraphs 110/112/777. - a commitment both to institutional strengthening and to the provision of a proportionate commitment from recipient countries with an in-depth evaluation in 1996 9. Paragraph 114. - enactment of laws and regulations to advance the support of ODS phase-out. Development of a framework for policy dialogue.	The Executive Committee agreed at its 7th Meeting to fund institutional strengthening activities. (US \$ 10 million was allocated by the Committee to 50 Article 5 countries). Regulatory actions, if proposed, are usually addressed in country programmes. Bilateral projects are often directed to institutional, policy and regulatory capacity building and are suited to this role.	Action by the Executive Committee Action by the Implementing Agencies Action by the Parties Relevant implementing agencies to review institutional strengthening experiences and present a combined paper to the Executive Committee at its 18th Meeting which will include guidelines on the possible proportionate commitment of Article 5 countries. The Executive Committee will select a lead Agency to prepare the framework for a policy dialogue with Article 5 countries. (Action by the Parties is recommended at the conclusion of this section.)	The continued availability of institutional strengthening support, proportionate commitment from the recipient countries and the development of integrated packages of measures tailored to specific sectors will produce a visible change in the effectiveness of ODS phase-out strategies. A visible increase in the initiation of regulatory measures to support ODS phase-out in Article 5 countries.

Recommendation	Progress to date	Future Action	Performance Indicators
10. Paragraphs 111/112/113/121. - Improvement to country programmes through development of revised guidelines and appropriate resourcing packages to promote capacity building. 11. Paragraph 116. - Stimulation and facilitation of concessional loans. 12. Paragraph 764. - Industrial consolidation may be the only cost-effective solution in some sub sectors but will be associated with great difficulty in practice.	Most but not all Article 5 countries which have submitted project proposals have prepared country programmes. Guidelines were adopted for country programmes at the 5th Meeting of the Executive Committee in June 1992. Some country programmes are now being updated. At its 16th Meeting, the Executive Committee requested the World bank to prepare a study on how to set up a concessional loans mechanism. A new issue related to cost effectiveness and the development of sectoral approaches.	Request a lead Implementing Agency, with the other Agencies and the Secretariat, to develop new guidelines for country programmes, taking into account these recommendations and those relating to proportionate commitment of Article 5 countries, for presentation at the 18th Meeting. The Executive Committee will consider these guidelines in the light of its experience to date and the sectoral approach to technology transfer and funding now being developed. The Implementing Agencies to actively promote the concept of concessional loans. Revised guidelines for country programmes to include evaluation of the role of concessional loans in sectoral strategies. The Executive Committee will have this issue examined in conjunction with the development of sectoral strategy concepts.	Adoption by the Executive Committee of revised guidelines for sectorally oriented country programme preparation and, in certain cases, updating by mid-1996. Commencement of the routine use of concessional loans by the end of 1996. Achievement of more effective approaches to ODS phase-out will be the measure of performance in addressing this issue.

Recommendation	Progress to date	Future Action	Performance Indicators
	[Concepts now being developed for the Executive Committee are intended to bring together the above institutional, regulatory, and financial issues, including concessional loans and other appropriate innovative funding options, together with project activities, in the form of strategies to address the achievement of complete phase-out in individual sectors in a country].	RECOMMENDATION TO THE PARTIES IN REGARD TO ALL THE ABOVE RECOMMENDATIONS IN THIS SECTION, THE EXECUTIVE COMMITTEE RECOMMENDS THAT THE PARTIES SHOULD: NOTE THE VITAL IMPORTANCE OF INSTITUTIONAL AND REGULATORY SUPPORT FOR ODS PHASE-OUT ACTIVITIES IN ALL COUNTRIES; AND DECIDE THAT THE PROVISION OF INSTITUTIONAL STRENGTHENING SUPPORT FROM THE MULTILATERAL FUND IS TO BE MATCHED BY A PROPORTIONATE COMMITMENT FROM THE COUNTRY CONCERNED, INCLUDING CONSIDERATION OF INTEGRATED SECTORAL PHASE-OUT STRATEGIES WHICH ENCOMPASS REGULATORY MEASURES AND THE ROLE OF CONCESSIONAL LOANS.	A successful integrated sectoral approach will demonstrate a visible improvement in the efficiency and effectiveness of countries' phase out activities in particular sectors, with benefits for the country concerned and for protection of the ozone layer.
13. Paragraphs 122/782. Support for Latin American and African network should be sufficient to ensure a similar level of operation as the network in South East Asia through increased funding or bilateral support.	At its 16th Meeting, the Executive Committee increased the funding for these two networks over the 1994 level.	Action by the Executive Committee The Executive Committee will review in the light of bilateral proposals and UNEP's 1996 work program.	Approval of funding for Latin American and African Networks at an appropriate level.

Recommendation	Progress to date	Future Action	Performance Indicators
14. Paragraphs 102/660. Implementing agencies should present to Executive Committee plans for integrating Protocol matters into their ongoing discussions with Article 5 countries and develop plans for mobilizing non-Fund resources for Protocol objectives, noting the relative success of the GEF in this regard.	This is a new initiative, but has strong links to the concept of sectoral strategies now being explored. The integration of non-Fund resources into proposals for a sector is an important element of a sectoral strategy.	Action by Executive Committee. Action by Implementing Agencies. Action by the Parties The implementing agencies will report to the [18th] Meeting on measures to include ODS phase-out issues into their on-going dialogue on development programming and on measures they propose to take to mobilize non-fund resources in support of Montreal Protocol objectives. RECOMENDATION TO THE PARTIES THE EXECUTIVE COMMITTEE RECOMMENDS THAT THE PARTIES; NOTE THE IMPORTANCE AND VALUE TO PROTECTION OF THE OZONE LAYER OF FINANCIAL RESOURCES ADDITIONAL TO THE MULTILATERAL FUND AND OF NON-GRANT FINANCING FROM WITHIN THE MULTILATERAL FUND.	When combined with the use of concessional loans and sectoral strategies this measure will produce a visible increase in the number of ozone protection projects achievable from available resources.

**RECOMMENDATION GROUP 3:
PROJECT IMPLEMENTATION; MONITORING; EVALUATION**

<u>Recommendation</u>	<u>Progress to date</u>	<u>Future Action</u>	<u>Performance Indicators</u>
15. Paragraph 96. New implementing agencies for the range of projects now being implemented are not recommended. New implementing agencies may be useful to implement loan programmes and Methyl Bromide projects.	The Executive Committee already has a mandate to engage other implementing agencies where appropriate.	Action by Executive Committee. The Executive Committee will consider the need for new implementing agencies for loan programmes in the light of emerging sectoral strategy policies and for Methyl Bromide after the 7th Meeting of the Parties	Not Applicable.
16. Paragraphs 97/98/100. UNDP and UNIDO should maintain "centralized" modes of implementation, The World Bank should concentrate on large consuming countries where the large investment needed to make national execution work is warranted. Small and medium sized countries should avoid national execution, and larger countries should persist only if they have already invested a lot and it is delivering expected benefits.	At present the selection of implementing agency is the prerogative of the Article 5 country concerned	Action by Executive Committee. The Executive Committee endorses the recommendations and will direct the implementing agencies accordingly. The Executive Committee will consider possible future action in the light of sectoral strategy concepts now being developed, for example, in China.	Not Applicable
17. Paragraphs 98/99. The Bank should review training provided to Financial Intermediaries to determine adequacy and relevance and should assess the incentive structure provided to Financial Intermediaries.	Little information is currently available on Financial Intermediaries training.	Action by Executive Committee. Action by World Bank. The World Bank will report on the training and incentive structure. The Executive Committee will consider a report by the World Bank in mid-1996 on this matter and its relationship to total overhead costs.	The Executive Committee is satisfied it is fully informed about the role, resourcing and effectiveness of Financial Intermediaries.
18. Paragraph 115. Article 5 countries and implementing agencies should identify legal and institutional impediments to project implementation and address them as soon as possible.	Presently addressed on a case by case basis in the course of project implementation.	Action by the Executive Committee The Executive Committee will request each implementing agency to report on this issue as and when it arises.	Not Applicable.

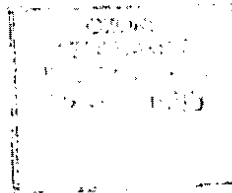
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RECOMMENDATION GROUP 4:

OTHER RECOMMENDATIONS

<u>Recommendation</u>	<u>Progress to date</u>	<u>Future Action</u>	<u>Performance Indicators</u>
19. Paragraph 103. UNEP should continue as Treasurer; the Bank should be asked to assist with collection of contributions in arrears.	The Treasurer and Executive Committee have made regular attempts to secure the payment of arrears from all relevant countries.	Action by Executive Committee. The Executive Committee will call upon all institutions associated with the financial mechanism to use their best endeavours to assist UNEP in collecting contributions in arrears.	The appropriate institutions are actively pursuing the collection of contributions in arrears.
20. Paragraph 104. The level of Bilateral Contributions should be maintained at 20 per cent.	The Executive Committee has approved 65 bilateral projects and activities worth US \$ 11.5 million in 18 countries and regions.	Action by Executive Committee. The Executive Committee will monitor the extent to which the available bilateral component is utilized.	Not Applicable.
21. Paragraph 106. The TEAP mechanism should not be substantially altered.	Not Applicable.	Action by Executive Committee. Action by the Parties. RECOMMENDATION TO THE PARTIES THE EXECUTIVE COMMITTEE RECOMMENDS THAT THE PARTIES: <u>AGREE:</u> THAT THE TEAP MECHANISM SHOULD NOT BE SUBSTANTIALLY ALTERED.	Not Applicable.

ANNEX II



Environment
Protection Agency

40 Blackall Street
Barton ACT 2600

Australia
An Agency of the
Federal Environment
Department

FACSIMILE TRANSMISSION

FILE NO 94/6325

TO Dr K M Sarma FAX 0011 2542 521930
Coordinator, Ozone Secretariat, UNEP

RE Observations/comments for subgroup considering the report of the
review of the Financial Mechanism

PAGES 3 Including cover page DATE 10 June 1995
FROM John Whitelaw FAX (+616) 274 1640
Deputy Executive Director PHONE (+616) 274 1400

Dear Dr Sarma

In accordance with the invitation included at paragraph 141 of the Report of the 11th Open-Ended Working Group, Australia would like to submit the following observations/comments for consideration by the subgroup examining the report on the review of the Financial Mechanism.

In addition to supporting many of the consultant's recommendations aimed at further improving the effectiveness of the Financial Mechanism, Australia would like to draw particular attention to four issues: 1) the governance arrangements of the Multilateral Fund; 2) the rules to be followed by the Executive Committee if a Party is in discussion of a project in which it has a direct interest; 3) the need to reinforce the nexus between protection of the environment and allocation of funding; and 4) the importance of Country Programs as an essential tool for effectively planning and managing phase out activities. These issues are discussed briefly in the following paragraphs.

Governance Arrangements

Paragraph 5 of Article 10 of the Montreal Protocol provides that there should be balanced representation of both Article 5 and non-Article 5 Parties on the Executive Committee and that membership should be endorsed by the Parties. In effect, this means that formal membership of the Executive Committee is only from one meeting of the Parties to the next, although the Parties have re-confirmed membership by some countries for a number of years. In addition, the Terms of Reference of the Executive Committee require that the offices of Chair and Vice-Chair of the Committee must be rotated annually between Article 5 and non-Article 5 Parties.

Such frequent changes to the membership and office-holders of the Executive Committee make effective management of the Fund difficult, and do not assist consistent and well-informed decision-making. A greater degree of continuity is required. Australia therefore believes that it is important that Parties consider attending the current governance arrangements with a view to providing greater stability and continuity in membership of the Executive Committee.

Observations/comments for subgroup considering the report of the review of the Financial Mechanism

Representatives discussing their own countries projects

As noted by the consultant at paragraphs 227-228 of the report, the Executive Committee currently has no rules regarding the procedure to be followed if a member country of the Committee wishes to engage in debate of a project in which it has a direct interest. The consultant also observes that the Executive Committee has sometimes experienced real difficulty in reaching consensus on a project where this has been the case. Australia therefore strongly endorses the recommendation of the consultant at paragraph 93 of the review report that "In order to expedite consideration of projects which occasionally present policy issues, the ExCom should develop specific rules regarding the procedure to be followed if a Party is in discussion of a project in which it has a direct interest." In our view, active participation by a member country of the Executive Committee in debate of a project in which it has a direct interest has the potential to hinder objective decision-making and therefore should not be allowed.

Nexus between environmental protection and funding

The consultant has recommended at paragraph 117 of the review report that implementing agencies and Article 5 countries "be encouraged to increase their focus on projects in sub-sectors with relatively high cost-effectiveness, or on projects with high cost-effectiveness because of economies of scale." Australia strongly supports this recommendation not only because it is consistent with the 'Guidelines for Setting Priorities' agreed by the Third Meeting of the Executive Committee, but also because it reinforces the fundamental nexus which must exist between effective protection of the environment and the allocation of funding.

While supporting this recommendation, we also support the objective suggested by the consultant in paragraph 118 of the report to the effect that there should be no unequivocal discrimination against any countries, groups of countries and/or sectors and sub-sectors. Australia believes that the framework established by the Executive Committee at its Sixteenth Meeting should equitably achieve this objective while also giving due prominence to the importance of ensuring the greatest possible protection of the ozone layer.

The focus on cost-effectiveness in making decisions about which projects to fund first is entirely appropriate given that the Montreal Protocol is an environment protection agreement and that the Multilateral Fund was established to assist in the realisation of its objectives. The scientific assessments, which continue to stress the importance of achieving the greatest possible reductions in consumption of ozone depleting substances as early as possible, reinforce the need to allocate available resources in a manner which produces the maximum impact. However, while strongly supporting the use of cost-effectiveness criteria in making decisions about the order in which eligible projects are funded, Australia also continues to support the principle that the Fund's resources should eventually be available to assist all eligible projects.

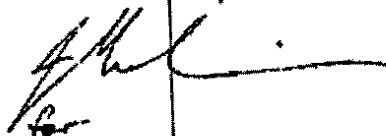
Observations/comments for subgroup considering the report of the review of the Financial Mechanism

Country Programs

Australia believes that Country Programs are an essential tool for effectively planning and managing phase out activities in Article 5 countries. For this reason, we strongly support the principle that Multilateral Fund resources should not be allocated, except in the short-term while a Program is being prepared, to assist projects in countries for which no Country Program has been approved by the Executive Committee. Given the importance of these documents as a management tool for the Article 5 countries and the Executive Committee, we also believe that existing Country Programs should be re-examined where necessary to ensure that they remain adequate, relevant and achievable, and that the Committee has a legitimate role not only in noting but also in approving all Country Programs.

I would appreciate it if you would arrange for the above observations and comments to be circulated to the subgroup examining the report on the review of the Financial Mechanism.

Yours sincerely



John Whitelaw



REPÚBLICA DE COLOMBIA
MINISTERIO DEL MEDIO AMBIENTE

EXTREMELY URGENT FACSIMILE

Santafé de Bogotá, June 12th, 1985

Mr.
NELSON SABOGAL
Officer in Charge
Ozone Secretariat
Nairobi
Kenya

FAX No. 90 (2542) 521 930/ 226886/ 226890

Dear Mr. Sabogal:

Thank you very much for your fax of June 13th.

In order to initiate the comments of the Ministry of the Environment of Colombia about the Study on the Financial Mechanism, please find attached the final version of this document conveniently re-printed.

Please let us know if this copy was received clear enough, as soon as possible.

Best regards,

Pip Johanna Hjelt

JUAN ANDRÉS LOPEZ SILVA
Head of the International Cooperation Office



REPUBLICA DE COLOMBIA

MINISTERIO DEL MEDIO AMBIENTE

MONTEREAL PROTOCOL ON SUBSTANCES
THAT DEplete THE
OZONE LAYER

Study on the Financial Mechanism
Comments and Observations

The following are the comments and observations that, according to some of the conclusions and proposals of the Study on the Financial Mechanism we believe should be taken into into account:

* INTRODUCTION, Par. 2, Page 1: special attention should be drawn to the fact that cost-effectiveness measurements should take into account the NATIONAL INDUSTRIAL STRATEGIES of the recipient countries. The Indicative List of Incremental Costs has defined "deindustrialization and loss of export revenues" as patterns that should be avoided and by no means cost-effectiveness should be turned into an additional obstacle in this direction;

* EFFECTIVENESS OF THE FINANCIAL MECHANISM AND RECOMMENDATIONS, Table 2.1, row 10, Page 6: considering indicators are measuring effectiveness of the Financial Mechanism, financial restrictions in Article 5 Parties could also be considered as indicators of effectiveness. Those activities that are not included in the Indicative List of Incremental Costs or that are not financially assisted in the present (final uses), but that require some kind of investment in order to contribute to the implementation of the Montreal Protocol at a national level are to be assumed by the different companies and sectors internally in each Article 5 country.

* Par. 31, Page 7: in this direction, time limits to control the phases between the approval of the projects and the beginning of their implementation could be proposed taking into account the following subjects:

Specific characteristics of each country: perhaps each limit could be established with each of the Governments (or the national entity in charge of the implementation of the project) taking into account its internal organization and level of bureaucracy. It should be taken into account that the more projects are implemented, the less delays and ineffective procedures should be present in the implementation process within the governmental organizations;



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- . The limits could be specified by projects;
- . A general time limit should be established in order to define a global timeframe for implementation. Specific time limits (per country) should be established within this global timeframe;
- . Within Implementing Agencies, present mechanisms and infrastructure should be questioned. The fact that more and more projects are being identified and implemented by Article 5 Parties could mean that the number of consultants and staff working in this direction might have turned to be insufficient;
- . Implementation of projects according to time limits should be controlled directly by the Implementing Agencies under the supervision of the Fund Secretariat;
- . Even though time frames are presently being included in the projects, a monitoring system should be created in order to control their fulfillment. In this direction, recommendation 101 should be developed.

* Par. 38, Page 7: It should be noted that 80% of the total estimated cost to the Multilateral Fund has not yet been allocated. In many ways, the effectiveness of the Financial Mechanism recalls a clear compromise of non Article 5 countries on this disbursement. No recommendations have been made by the study in this direction and it would be necessary to recall for the definition of a special mechanism by which donor countries could make clear if the disbursements will be made or not. This way, it would be possible to "programme" the activities and organize the disbursements during each fiscal year (or each specific period of time).

* Pages 10 and 11: It seems clear that World Bank's approach on the implementation process is presently affecting the level of GNP phasout. It should therefore made clear that this specific Implementing Agency will be submitted to fulfill the time limits established regarding the implementation process. In this direction, recommendations 88, 89 and 100 should be developed;



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* Page 12: further development should be made in order to provide additional information during the consultants' visits to Article 5 countries regarding new technologies. In many cases and specifically in the present when there seems to be a clear market division concerning technology options, the phase out and transfer require additional information for the enterprises. The visits and the definition of the project could be made by experts that could evaluate and define costs on every technology available.

* Page 13:

It should be noted that the process of approval has been developed on a case by case basis. According to the results of the study, this system has been effective from a general view. Even if there is a clear need for further definition of incremental cost criteria and policy issues, this work should not be developed without taking into account the process approval used in the past:

The Inventory of Approved Equipment in Investment Projects should be developed taking into account QUOTATIONS requested by some companies in different Article 5 countries.

The Negative Indicative List should only be considered as INDICATIVE. In this direction, it should be noted that specific conditions in some countries could require funding for equipment that has been included as part of the list.

* Page 20: EFFECTIVENESS OF ARTICLE 5 COUNTRIES IN SUPPORTING FUND ACTIVITIES. There is in fact a clear need from Article 5 countries to take legislative and regulatory action in line with statements made in the country programmes but, in some way, the requirements (financial, informative, and technological) that Article 5 Parties define in the country programmes as necessary for the implementation of the Montreal Protocol should be taken into account while this action is defined.

MINISTERE
DES
AFFAIRES ETRANGERES

REPUBLIQUE FRANCAISE

DIRECTION GENERALE DES AFFAIRES
EUROPEENNES ET ECONOMIQUES

DIRECTION DES AFFAIRES
ECONOMIQUES ET FINANCIERES

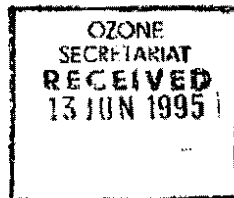
Paris, le 8 juin 1995

*Sous-Direction de l'Environnement
et des Coopérations Sectorielles*

Responsable du dossier : Christian DUMON

☎ : 45 17 51 38

N° 1438 DE/BCS



Handwritten signature and initials

OBJET : Protocole de Montréal : Etude sur le mécanisme financier
Study on the Financial Mechanism - Review Small Group

Monsieur,

En réponse à votre lettre du 24 mai 1995, Je puis vous confirmer que la France sera représentée à la réunion du Petit Groupe sur le Mécanisme financier, prévue à Genève, le 27 août 1995. Le Petit Groupe a décidé que la France serait le "Co-convenor" du Groupe. Je vous remercie de nous faire savoir si cela signifie que nous devons faire quelque chose en complément de votre lettre de convocation du 24 mai.

Par ailleurs, je vous rappelle que le Groupe de Travail du Protocole de Montréal, à sa onzième réunion, a endossé les conclusions du Petit Groupe et demandé que le Comité Exécutif à sa 17ème réunion, examine le rapport de l'étude sur le Mécanisme Financier en portant une attention particulière aux cinq questions principales proposées par le Petit Groupe. Mais reconnaissant que cette courte liste de cinq questions ne pouvait pas être considérée comme exhaustive, le Groupe de Travail a suggéré que les Parties pourraient soumettre des observations complémentaires au Secrétariat de l'Ozone avant le 10 juin 1995.

La France, au nom de l'Union Européenne, souhaite donc soumettre des observations complémentaires (cf. document ci-joint) et demande au Secrétariat de l'Ozone de les diffuser auprès des membres du Petit Groupe en vue de la discussion du 27 août, ainsi qu'aux membres du Comité Exécutif pour information à l'occasion de sa 17ème réunion.

Veuillez agréer, Monsieur, l'expression de ma considération./.

L. STEFANINI

PJ. Déclaration de la France au nom de l'Union Européenne

M. K. M. SARMA
Ozone Co-ordinator
UNEP
P.O. Box 30552
NAIROBI / KENYA

**DECLARATION DE LA FRANCE
AU NOM DE L'
UNION EUROPEENNE**

**Observations sur le
Rapport sur l'évaluation du mécanisme Financier
du Protocole de Montréal**

En référence au cahier des charges proposé par le Petit Groupe et approuvé par le 11ème Groupe de travail à composition non limitée, dans sa réunion du 12 mai 1995, à Nairobi, l'Union européenne souhaite faire quelques observations complémentaires.

En plus des 5 questions principales signalées par le Petit Groupe, l'Union européenne demande que les points suivants soient l'objet d'une attention particulière:

- Amélioration de la définition par le Comité Exécutif des procédures de préparation-approbation des projets par les agences d'exécution, (cf. Rapport para 97-104)
- Redéfinition du rôle des agences (complémentarité, coordination, concurrence),
- Amélioration du suivi et de l'évaluation des projets (audit indépendant d'une sélection de projets terminés),
- Recentrage du travail du Comité exécutif sur la politique générale, développement des procédures simplifiées d'approbation des projets, (cf. Rapport para 91)
- Rationalisation des programmes-pays et des activités de renforcement institutionnel, (cf. Rapport para 111, 112)
- Appropriation par les pays : -stimulation de l'adoption de lois et de règlements par toute action au niveau des différents acteurs; -investissement minimum des pays bénéficiaires associé au renforcement institutionnel (cf. Rapport para 112, 114, 115),
- Liaison avec le FEM,

L'Union européenne souhaiterait que ses observations soient communiquées par le Secrétariat Ozone aux membres du petit Groupe, pour discussion à l'occasion du 12ème Groupe de travail à composition non limitée, et au Comité exécutif à sa 17ème réunion, pour information./.

Informal translation

Dear Sir,

Answering your letter of 24 May 1995, I can confirm to you that France will be represented at the meeting of the Review Small Group in Geneva on Sunday, 27 August 1995.

The review Small Group decided that France would be the "Co-convenor" of the Group. Please let us know whether we should do anything special in addition to your letter of 24 May.

At its 11th Meeting, the Open Ended Working Group endorsed the conclusions of the Review Small Group and requested the Executive Committee to examine the report on the Study of the Financial Mechanism, giving special attention to five main issues selected by the Small Group. But acknowledging that this short list of five issues was not to be seen as a conclusive one, it suggested that Parties might submit complementary observations to the ozone Secretariat before 10 June 1995.

France, therefore, on behalf of the European Union, would like to submit some complementary observations (see enclosed document) and requests the ozone Secretariat to circulate them to the members of the Small Group for discussion on the 27 August in Geneva, and to the members of the Executive Committee at its 17th meeting, for information.

Accept, Sir, the assurance of my highest consideration./.

L. STEFANINI

Encl. Statement by France on behalf of the European Union.

**STATEMENT BY FRANCE
ON BEHALF OF THE EUROPEAN UNION**

**Observations on the Report
Study on the Financial Mechanism of the Montreal Protocol**

Referring to the Terms of Reference submitted by the Small Group and approved by the 11th Open Ended Working Group, on 12 May 1995, in Nairobi, the European Union wishes to submit some complementary observations to the Ozone Secretariat.

In addition to the 5 issues identified by the Small Group, the European Union requests that the following issues be given a special attention:

- Improvement of the definition by the Executive Committee of the procedures for project preparation and approval by the Implementing Agencies, (Report, para 97-104)
- Definition of the role of Implementing Agencies (complementarity, coordination, competition),
- Improvement of projects follow-up/evaluation (independent audit of selected completed projects),
- Focussing Executive Committee discussions on policy issues (better use of streamlined procedures for project approval), (Report para 91)
- Rationalizing country-programs and institutional strengthening activities, (Report, para 111, 112)
- Country ownership : -stimulating new laws and regulations; -matching the institutional strengthening by proportionate commitment by countries (Report, para 112, 114, 115).
- Linkage to the GEF.

The European Union requests the Ozone Secretariat to circulate the above observations to the members of the Small Group for discussion at the 12th OEWG, and to the Executive Committee at its 17th meeting, for information./.



KÖRNYEZETVÉDELMI ÉS TERÜLETFEJLESZTÉSI MINISZTERIUM

Mr. K.M. Sarma
Co-ordinator
Ozone Secretariat
UNEP
Nairobi, Kenya

Fax: 254 2 521 930

1. Sarma
2. _____
3. _____
File EP/2105-89-03



19 JUN 1995 10 01

-9 JUN 1995

Budapest, 9 June, 1995

Action completed
Acknowledged
No Action

Dear Mr. Sarma,

Reflecting to your fax sent to the Ministry of Foreign Affairs of the Republic of Hungary on the subject of the Study Report on the Financial Mechanism of the Montreal Protocol, I submit the following comments.

The study duly points to the fact, that there is an obvious contradiction between spending the Multilateral Fund's limited resources for the most cost-effective projects (mainly large projects in countries with high ODS consumption volume), thus achieving the highest possible phaseout, and funding phaseout activities and projects in as many countries as possible, including a large number of countries with low consumption volume. It is up to the Parties to find a delicate balance between the two extremities. The recommendations of the Study for simplifying and at the same time maintaining a high quality of Country Programmes aim at the right direction. Their adoption may help Parties to find the necessary balance referred to above.

The improvement and acceleration of project preparation, approving and implementation, as well as monitoring and evaluation of projects is of utmost importance. The co-operation, participation and ownership of government and industry of the recipient country is a prerequisite. There is seemingly a need to raise awareness of that issues as well, not only of the consequences of ozone depletion.

The Study reflects the problems of Countries with Economies in Transition in a realistic way. It should be noted however, that no "interest group of those countries was created to articulate their views". One of the two distinct problems of CEFTS, namely the ability to fulfill financial obligations under the Protocol is considered by the Study. The other problem, namely the feasibility to comply with the control measures of the Protocol is being assessed by a small Ad hoc Working Group of the Technology and Economic Assessment Panel.

Yours sincerely

J. Dobó

Consultant to the Ministry for
Environment and Regional Policy

1/5 - 1 2 -
366/95



OZONE
SECRETARIAT
RECEIVED
06 JUN 1995

GOVERNMENT OF THE UNION OF MYANMAR
NATIONAL COMMISSION FOR ENVIRONMENTAL AFFAIRS

FAX MESSAGE

To - Coordinator
Ozone Secretariat
UNEP
P.O. Box 30552
Nairobi, Kenya
Fax: (254 2) 226 890

From - U Kyi Tun
Joint Secretary
National Commission for Environmental Affairs (NCEA)
No. (37) Thantaman Street, Dagon P.O.,
Yangon, Myanmar
Fax: (95 1) 21546

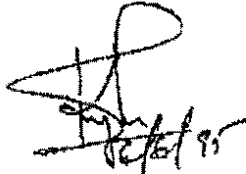
No. - 1-10/2/94 (263/95)
Dated- 6-6-95

UNEP ENVIRONMENTAL ACTION	
1.	Mr. Sarma
2.	
3.	FP/2105-89-03
File	6 JUN 1995
Action completed	☒
No Action	☐

Sir,

With reference to your telex regarding the Report on the Review of the Financial Mechanism of the Montreal Protocol, I would like to inform you that the Union of Myanmar has no comments to be made on the above matter.

With best regards,


(Kyi Tun)
Joint Secretary

AS ✓
- 6 JUN 1995 06:49

IN/FAX III



GOVERNMENT OF SAINT LUCIA

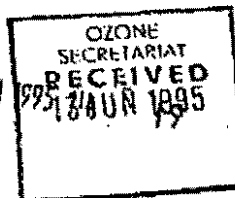
MINISTRY OF PLANNING, DEVELOPMENT AND ENVIRONMENT

Administration
Energy Planning
Economic Planning
Social Planning

Physical Planning
Architectural Section
Survey and Mapping

Tel. 452-2411 ext. 7165, 7134, 7930
Fax. 452-3504

P.O. BOX 709,
CASTRIES,
SAINT LUCIA, WEST INDIES.



12 JUN 1995

Under the COPY
ACTION 8 June 1995

Dr K M Sarma
Coordinator
Ozone Secretariat
United Nations Environment Programme
P O Box 30552
Nairobi
Kenya
Fax: (254 2) 228886/226890

1. Sarma
2. _____
3. _____
File FP/2105-89-02

13 JUN 1995

NS
/

Dear Dr Sarma,

Action completed ☐
Acknowledged ☐
☐

STUDY ON THE FINANCIAL MECHANISM OF THE
MONTREAL PROTOCOL

Initials _____

I am pleased to refer to your communication of 23 May 1995 on the above subject and your invitation to comment on same.

The brief given to the Executive Committee by the working group indicates a general acceptance of the study recommendations. Whereas St Lucia is in agreement with this position, there are some issues of greater significance to us as a low ODS consuming country, particularly in light of the imminent commencement of our phase out programme. Unfortunately St Lucia was unable to participate in the 11th Open-Ended Working Group meeting but we look forward to joining the discussions on this study report at the 12th meeting.

I wish to draw your attention to the change in the St Lucia point of contact for the Montreal Protocol and request that future correspondence be directed to:

Mr Cletus Springer
Permanent Secretary
Ministry of Planning, Development and Environment
P O Box 709
CASTRIES
Saint Lucia.

Yours faithfully,

CLETUS SPRINGER
Permanent Secretary

1/F 474

SYRIAN ARAB REPUBLIC
Ministry of Environment
Environmental & Scientific Research Center

الجمهورية العربية السورية
وزارة البيئة
مركز الأبحاث العلمية والبيئية

To: Mr.K. M. Sarma Coordinator Ozone Secretariat UNEP P.O.BOX 30552 NAIROBI KENYA Fax: 254-521930/226886	Drafter/ Contact Person:	Authorizes by:
	Eng. Khaled Katali	Dr. Mahmoud Salih
	Tel: 963-11-6623148	Fax: 963-11-6622309
	Our Ref.:	Your Ref.:
	Date: 10-6-95	Account:
Transmission no.:	Page: 1 of 1	

Subject: Study report Conclusions on the Financial Mechanism of the Montreal Protocol.

Dear Sir,

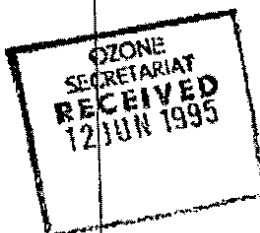
I would like to thank you for your letter dated 17/5/1995 concerning the a/m subject

Kindly be informed that the following issues (b-iii,b-v) should be given special attention.

Also I would like to ask your support for attending the working group meetings in order to participate and make use from the discussions and the different experiences of attending parties.

Thank you for your kind attention

With best personal regards.



UNEP REGISTRY ACTION	
1.	Sarma
2.	
3.	
File	FP/2105-89-03
12 JUN 1995	
Action completed	☐
Action not closed	☐
No Action	☐
Initials	

IN/FAX 486

12 JUN 1995 06 22



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
AIR AND RADIATION

9 June 1993

Mr. K. M. Sarma
Coordinator
Ozone Secretariat

Dear Mr. Sarma,

As you know, paragraph 141 b of the report of the 11th meeting of the Open Ended Working Group of the Parties to the Montreal Protocol was included to allow Parties which wished to, to submit observations/comments on the COWI Consultant report on the Multilateral Fund. In the event that other countries present at the OEWG submit comments, we would like the attached comments to be treated in the manner envisioned by the OEWG.

Sincerely,

A handwritten signature in black ink, appearing to read "PSH", is written over the typed name "Paul S. Horwitz".

Paul S. Horwitz
International Advisor

U.S. Comments/Observations on Issues Related to the
COWI Study on the Multilateral Fund

Issue One

The COWI Consult report notes that the process of project review and approval by the Executive Committee and the Fund Secretariat has had the effect of introducing a strong element of discipline into the project development and funding process. The consultant noted that this has helped the Executive Committee to avoid providing funds for costs which are ineligible, which in turn has made increased funding available for other worthy projects. The COWI report also notes evidence that implementing agencies are strongly influenced by firms in Article 5 countries and often seek to maximize the size of the grant for their clients, regardless of accepted Executive Committee guidelines and criteria. This propensity has been displayed numerous times through the submission and advocacy of projects with inflated costs or requests for items that have been previously determined by the Executive Committee to be ineligible. Given the effective operation of the current review process, and the evidence of pressures that lead to inflated project costs, we are concerned that further delegation to the implementing agencies at this time would have negative consequences.

Accordingly, the US is of the belief that the Executive Committee should not consider any significant changes in the existing project review and approval process nor any further delegation of project review and approval authority until the requirements stated by COWI are definitively met: the Executive Committee has definitively resolved the main outstanding policy issues; decisions on eligible equipment items are made and guidelines on standard equipment costs based on procurement experience are developed; ex-post monitoring guidelines and procedures are satisfactorily in place; and, the usefulness of the Small Project Approval Procedure can be fully judged.

Issue Two

The Multilateral Fund was established to support developing country efforts to phase out ozone depleting substances in an effort to protect the ozone layer. Given the expectation of many that for the foreseeable future, project requests are likely to exceed available resources, the US believes that it is the responsibility of the Executive Committee to use available resources in a manner that will maximize ozone layer protection. Toward that end, the COWI report suggested that the Executive Committee put in place a system to allocate funds to projects with the best cost effectiveness. This does not mean that all high cost projects otherwise eligible under the Indicative List of Incremental Cost would become permanently ineligible for funding. It does mean, however, that given the goal of ozone layer protection, and the inability to simultaneously support all eligible activities, the Fund should allocate the vast majority of its available resources

to those projects which will maximize ozone layer protection. We also support the Executive Committee decision to ensure equity in funding to low consuming countries by establishing support for projects in the low consuming country group at a level that is at least equal to its proportional potential contribution to ozone layer protection.

Issue Three

The Multilateral Fund has operated using a project by project approach, figuring out the incremental costs for each project individually. In certain circumstances, such an approach may not make sense. This could be the case in some countries production sector, where site by site determinations which do not take into account the potential for economies of scale in replacement facilities could yield unnecessarily costly decisions. It may also be the case in the informal sector where the costs of project preparation for hundreds of individual small projects could actually exceed the conversion costs to the firms involved. In such cases the Executive Committee might want to follow COWI's suggestion that a lump sum approach be considered. The Executive Committee could potentially agree with a country on a specific phased reduction in a certain sector in exchange for providing the government with an agreed level of funds parceled out over a period of time reductions are to be achieved and documented. This could allow government flexibility to maximize all the tools at its disposal (grants, taxes, bans, other incentives) to achieve the ODS phaseout at a cost that is significantly less than the project by project analysis would have yielded. The US would support Executive Committee experimentation with this concept so long as its application would be cost effective.

Issue Four

COWI recommended that the Executive Committee establish procedures to be followed if a Party is in discussion of a project in which it has a direct interest. The US believes that such guidelines are critical to ensuring the integrity of the funding process. If a project is being considered, the country in which the project would be carried out should not speak on it's behalf unless specific information regarding the project is requested by the Executive Committee, and is not available from the implementing entity.

Issue Five

The COWI report noted that the essential issue facing the Fund is less its capacity to develop, review and approve projects than its ability to implement approved projects in a timely manner. The US believes the Executive Committee must work with the implementing agencies and the Article 5 Parties to put in place mechanisms to encourage quicker project implementation. Such mechanisms could include a provision which has approved resources reverting back to the Fund if projects have not begun implementation within a year of approval by the Executive Committee.



DEPARTMENT OF ENVIRONMENT,
MINISTRY OF SCIENCE, TECHNOLOGY
AND ENVIRONMENT,
12TH & 13TH FLOOR, WISMA SIME DARBY,
JALAN RAJA LAUT,
50662 KUALA LUMPUR

Telephone: 2938955
Telex: MORTING MA 28154
Telefax: 603-2931480
Cable: SEXTAR

Our Ref: AS

MALAYSIA NATIONAL FOCAL POINT FOR
~~THE OZONE LAYER~~
ON SUBSTANCES THAT DEplete
THE OZONE LAYER

Your Ref:

91/120/004/001

Date:

11d 5 (11)

30 June 1995

Dr. K.M. Sarma
Ozone Secretariat
UNEP
Nairobi
KENYA

REPORT OF THE 11TH OEWG MEETING ON FINANCIAL MECHANISM

I wish to refer to the report of the 11th OEWG Meeting about the financial mechanism in page 20 and 21 of the UNEP/OLL.Pro/WG.1/11/10.

2. Although the meeting only encouraged those parties that were not present at the meeting and other parties (except the subgroup) to submit their comments, Malaysia (member of subgroup had made an intervention during the meeting) would like to submit additional comments on financial report as follows:

i) Effective Project Preparation and Implementation by the Implementing Agencies (IA)

IA must clearly establish guideline criteria to avoid any 'duplicating' of works for the same sector. The appointed consultants to handle the project should have hands-on experiences and committed to their works without personal interest or 'competitive' among themselves. The process should be expedite and any lengthy bureaucracy should be avoided.

ii) Information Exchange and Awareness Activities

UNEP should concentrate on being the 'real clearing house information' and should be allocated with more fund particularly for awareness programmes. Public awareness programmes should be considered priority especially for SMEs and small consumed countries.

iii) Effectiveness of Donor Countries in Supporting Fund Activities

Donor countries should find effective ways to help Article 5 countries on phase out activities. Bilateral contribution should be encouraged especially to expedite phase out project formulation. Policy or guidelines should be established to tackle the problem of unpaid dues from the countries concerned.

iv) Effectiveness of the Institutional Framework of Fund Secretariat and Their Activities

Fund Secretariat has played effective role in developing guidelines, policy and project proposal. With the increased number of project submitted and high expectation of the parties, their service and duties should meet the standard of demand meaning that the service should be more efficient and transparency. In respect to the role played by the fund secretariat, any intention to absorb current financial mechanism to GEF should not be allowed.

3. We would also appreciate if you could insert the word 'Malaysia' in page 2 of the report UNEP/OZLpro/wg.1/11/10.

Thank you.

Yours sincerely,



(ISMAIL ITINON)
for Director-General Of Environment
AAM/001/001/001/001/001