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## EXECUTIVE COMMITTEE FOR THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL

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### IMPLEMENTING THE MULTILATERAL FUND

This paper proposes roles and responsibilities of: the Executive Committee and Fund Secretariat, the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), and the World Bank, based on the Terms of Reference adopted in June 1990 at the London meetings <sup>1/</sup> and the report of the Executive Committee at its first meeting in September 1990 at Montreal. <sup>2/</sup> The assignment of responsibilities builds on the strengths of each institution and avoids duplication of effort, while minimizing administrative costs. See Figure 1.

#### The Executive Committee

By their decision at the June Meeting (Decision II/8 of the Second Meeting of the Parties to the Montreal Protocol), the Parties established an Executive Committee "to develop and monitor the implementation of specific operational policies, guidelines and administrative arrangements ... of the Multilateral Fund". It is the responsibility of the Executive Committee to:

- . Exercise final authority for implementation of the Multilateral Fund under the Montreal Protocol (Fund);
- . Develop the three-year plan and budget including allocation of resources among implementing agencies (UNEP, UNDP and the World Bank);

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<sup>1/</sup> See appendices to Decision II/8, "Financial Mechanism".

<sup>2/</sup> See UNEP, "Decisions by the Executive Committee of the Multilateral Fund of the Montreal Protocol at Its First Meeting".

- . Supervise and guide the administration of the Fund;
- . Develop project eligibility criteria;
- . Review regularly the performance reports on the implementation of activities supported by the Fund;
- . Monitor and evaluate expenditures and report annually to the Parties;
- . Consider and, where appropriate, approve country programmes and approve all project proposals or groups of proposals where agreed incremental costs exceed \$500,000;
- . Review disagreements for requests for funding;
- . Assess annually whether the contributions through bilateral co-operation, including particular regional cases, comply with project eligibility criteria;
- . Report annually to the meeting of the Parties on the activities outlined above;
- . Nominate the Chief Officer of the Fund Secretariat for appointment by the Executive Director of UNEP; and
- . Perform any other functions assigned to it by the Parties.

The Executive Committee will approve allocations and transfers of money to UNEP, UNDP, and the World Bank based on work programmes and budgets submitted by the implementing agencies. Work programmes should specify the level of resources, types of activities and projects, timeframe for action and expected outcomes. While individual projects need not be identified, the types of activities and resources involved must be well enough defined to allow the Fund Secretariat to exercise its role of providing guidance to the Executive Committee and to effectively monitor the activities of the implementing agencies.

#### The Fund Secretariat

The Fund Secretariat assists the Executive Committee in the day-to-day discharge of its functions <sup>3/</sup>. These functions include developing the three-year plan and budget, formulating project eligibility criteria, and considering and approving country programmes. Figure 1 shows that the Secretariat functions as the staff of the Secretariat and has no direct line responsibility. Nonetheless, through the direction of the Executive Committee, it will perform the day-to-day operations necessary to the proper functioning of the Fund. The Chief Officer of the Fund Secretariat is the Executive Committee's senior officer and reports directly to the Executive Committee.

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<sup>3/</sup> Terms of Reference for the Interim Multilateral Fund, Section D. Administration.

The Fund Secretariat should serve as the point of contact to:

- . Respond to inquiries about the Fund and be the liaison with Party governments, co-operating implementing agencies (UNEP, UNDP, World Bank) and other bilateral and multilateral development institutions;
- . Develop the three-year plan and budget for the Fund, including the disbursement of funds to the implementing agencies;
- . Dispatch to all Parties the proposed budget estimates at the regular meeting of the Parties for review and consideration;
- . Monitor and evaluate expenditures incurred under the Fund for review by the Executive Committee;
- . Assess and, where appropriate, offer recommendations to the Executive Committee regarding country programmes;
- . Complete reports for the Executive Committee on project proposals in excess of \$500,000;
- . Prepare reports for the Executive Committee on disagreements for requests for funding;
- . Maintain a current inventory of projects to avoid duplication of effort between the implementing agencies and other bilateral initiatives;
- . Co-ordinate bilateral and multilateral contributions and prepare the Executive Committee's annual assessment of whether these contributions comply with project eligibility criteria;
- . Prepare performance reports on the implementation of activities under the Fund for review by the Executive Committee;
- . Serve as broker between the Executive Committee and interested governments and co-operating implementing agencies as necessary to the day-to-day functioning of the Fund;
- . Monitor the activities of the implementing agencies based on their oral and written reports;
- . Organize the meetings of the Executive Committee;
- . Ensure that the Parties make prompt payment of their contributions towards the Fund; and
- . Provide other administrative and support functions for the Executive Committee.

#### Role of the implementing agencies

Under Decision II/8 of the Second Meeting of the Parties to the Montreal Protocol, the Executive Committee is required to discharge its policy making functions to implementing agencies. These bodies are charged with co-operating and assisting the Parties, in the context of country programmes,

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and with developing interagency agreements with the Executive Committee on behalf of the Parties. The three implementing agencies are as follows: The United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the World Bank. Their respective areas of responsibility are discussed below.

## UNEP

UNEP will have three specific functions as defined by the Terms of Reference and the Executive Committee at its first meeting in September 1990 at Montreal:

### 1. Treasurer

As the Fund's "treasurer", UNEP will be responsible for accepting donor contributions, disbursing funds to the Fund Secretariat and the implementing agencies based on the directive of the Executive Committee, and following consultation with the United Nations and World Bank officials for submitting investment plans for Executive Committee approval for contributions held in reserve. According to Decision 1 by the Executive Committee of the Multilateral Fund at its First Meeting, UNEP requires no additional charge for operating as "treasurer" of the Fund. All associated costs will be covered by its overhead charge assessed against the funds it receives in its role as one of the implementing agencies.

### 2. Political promotion, research and data gathering

UNEP should also undertake the promotion of the objectives of the Protocol Fund, as well as research and data gathering where necessary. This will include the active promotion of the programme to countries not yet Parties to the Protocol. UNEP has been successful in promoting international environmental agreements such as the Montreal Protocol, in encouraging environmental education and training, in developing international conferences, and generally, in facilitating co-operation between countries, governments, industry and non-governmental organizations. In its function as the Protocol Secretariat, it also is responsible for updating assessment reports and the science, health effects, economics and technology options under the Montreal Protocol.

In addition, through its extensive network of databases and information clearing houses such as INFOTERRA, UNEP is able to link national and international institutions and experts in a co-operative venture to improve the quality of environmental decision making. For instance, INFOTERRA, based in Nairobi, Kenya, provides information to 137 participating countries (national focal points) in the developed and developing world. INFOTERRA worldwide answers over 10,000 questions each year, roughly one half of which come from developing countries. It, and other UNEP databases such as the International Registry for Potentially Toxic Chemicals (IRPTC), which collects and disseminates current data on hazardous chemicals, could be easily linked together. The Ozone Secretariat itself is a source of information from data and assessment reports.

### 3. Assist in Clearing house-functions

Under Decision II/8 of the Second Meeting of the Parties to the Montreal Protocol, four technical clearing-house functions were defined and UNEP was to co-operate and assist in these clearing-house functions:

- . To assist Parties, operating under paragraph 1 of Article 5, through country specific studies and other technical co-operation, to identify their needs;
- . To facilitate technical co-operation to meet identified needs;
- . To distribute information, to hold workshops and training sessions, and other related activities for the benefit of Parties that are developing countries; and finally,
- . To facilitate and monitor other multilateral, regional, and bilateral co-operation available to Parties that are developing countries.

With respect to the last function, the Executive Committee will maintain authority to enter into agreement with bilateral or multilateral organizations as necessary to discharge its mandate.

In order to disseminate technical information and provide training, UNEP should draw on its Industry and Environment Office (IEO) in Paris. IEO has been quite successful in bringing industry, government, and non-governmental organizations together regarding how to achieve sound industry development through technical co-operation and information transfer. The IEO produces technical reports, promotes technical co-operation and training programmes, and engages in information transfer through its cleaner production network, query response service, and the development of the Computerized Database on Industrial Environmental Legislation (CIEL). In addition, the IEO is pursuing expanding its access to technical information by linking itself to OZONET, a new database developed by the Industry Co-operative for Ozone Layer Protection (ICOLP), which contains information on substitute processes and technologies to eliminate ozone depleting solvents.

Other functions that could fall under its clearing-house responsibilities include:

- . Writing and translating instructions, guidelines and appropriate user guides;
- . Information materials relating to technical alternatives; and
- . Curriculum and textbook modifications at universities and technical institutes.

UNDP

The United Nations Development Programme (UNDP) participation will involve the provision of technical assistance. This will include the following: conducting feasibility and preinvestment studies, assisting in the planning, assistance in preparation and implementation of the country programmes and specific projects, and co-ordinating communication and outreach efforts with the participating governments and outside organizations.

UNDP technical assistance activities

UNDP has technical assistance expertise in feasibility and preinvestment studies for environmental protection. For example, in joint sponsorship with the World Bank, UNDP conducts studies for the Tropical Forestry Action Plan (TFAP) and Energy Sector Management Assistance Programme (ESMAP). UNDP has been highly successful in identifying opportunities for the developing countries to improve energy efficiency and to reap the benefits of this saving.

UNDP provides technical assistance through the use of country programmes which are formulated in consultation with the recipient government. In addition, UNDP has sponsored the case study of uses and alternatives to ozone-depleting substances in the People's Republic of China. Most of UNDP's current operations are country-driven; for the purposes of the Fund, this experience gives UNDP an advantage in co-ordinating technical assessment and assistance for the country programmes or, in certain cases, on a project-specific basis. Specifically, UNDP could have responsibility for developing some of the country programmes and/or the Ozone Layer Protection Policy Strategy Paper. 4/ In this role, UNDP would work with the requesting government(s) in planning, preparing and implementing an OPSP.

In addition to assisting in the preparation of national plan, UNDP can provide technical assistance for in-country training or management during the implementation of the programme and specific projects if the country or countries request such guidance.

UNDP has a programme called the Short-Term Advisory Services (STAS) programme which provides technical and managerial experts to developing countries for short-term assignments at minimal cost. Conceivably, UNDP could draw on this programme to identify appropriate consultants for in-country training and management expertise. UNDP also holds a promotional and co-ordinating role for Technical Co-operation among Developing Countries (TCDC) matters and supports efforts such as technology transfer programmes. The Fund may utilize UNDP in education, training, and collaborative efforts with the participating governments and outside organizations through the agency's existing consultative and outreach programmes.

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4/ UNDP has proposed using the existing CFC country case studies, if they are available, as a framework for preliminary documents for the OPSP with adjustments made after assessments by UNDP/World Bank; otherwise, UNDP/World Bank technical experts would work with in-country experts to produce similar "country papers".

## World Bank

The World Bank, with its experience in managing external financing for investments in developing countries, is best suited to prepare and appraise investment projects which meet the incremental costs of activities enabling developing countries operating under para. 1 of Article 5 to comply with the control measures of the Montreal Protocol.

### 1. Operational Procedures

Within the Bank, the Fund will be administered through country operations departments with specialized technical backup being provided by the Bank's Environment Department in the Policy, Research and External Affairs Complex.

The Bank has proposed to use its regular project cycle in the identification, preparation and appraisal of investment projects to be supported by the Multilateral Fund. Where the Bank does not participate directly in the fieldwork required for investment project identification and preparation, as with its regular lending operation, it will need to vouchsafe the quality of such work through adequate supervision and review of the work of the agencies or consultants concerned. Where it is necessary to implement a large number of small investment projects in eligible countries, the Bank will channel the resources concerned through appropriate intermediaries, financial or other, under its standard arrangements for this form of lending.

### 2. Role of Country Programmes

The Parties have agreed that funding decisions can best be made within the context of country programmes. The World Bank has proposed that each country develop an Ozone Layer Protection Programme Strategy Paper (OPSP) which will outline the work programme to implement the country's obligations under the Protocol <sup>5/</sup> though it may be possible to combine similar countries in a similar paper or to do a paper using a geographical region. It will include plans for formulation and implementation of policy and regulatory reform, institutional strengthening, and investment and technical assistance training project interventions. National (or regional) plans will not be completed until late in 1990, at the earliest, or in 1991. However, if the Executive Committee allows specific project proposals to be funded in parallel to development of country programmes, delay in protecting the ozone layer can be avoided. Every effort should be made to streamline this process so as to expedite ozone layer protection. The expected content of the OPSP has not been delineated (aside from requiring detailed descriptions of proposals in excess of US\$ 500,000), but the Terms of Reference state that implementing agencies shall apply only those considerations relevant to effective and economically efficient programmes. <sup>6/</sup>

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<sup>5/</sup> Term Sheet, Administrative Arrangements to Co-operate for Protection of the Ozone Layer between the Executive Committee of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer and the World Bank. 11 September 1990.

<sup>6/</sup> Terms of Reference for the Interim Multilateral Fund, Section B, Roles of the Implementing Agencies.

The Bank, UNEP and UNDP, as appropriate, should review each OPSP and recommend for Executive Committee approval those environmentally sound and economically efficient programmes and projects contained in the country plan. The Bank should likewise present programmes and projects which the Bank considers environmentally and economically efficient and which are in compliance with the Executive Committee's criteria for project eligibility to that Committee for its approval.

The Bank, with the assistance of UNDP <sup>1/</sup> and UNEP and under the guidance of the Executive Committee, should formulate the guidelines for OPSPs. The Bank and UNDP should assist developing country governments in the actual preparation of OPFPs.

In some cases, the OPSPs can be efficiently integrated into the Bank's existing framework of environmental action plans (EAPs), but this should only occur where efficiencies can be achieved and delays avoided.

#### Use of Grant vs. Loans

In most cases, the Bank will use resources from the Multilateral Fund to finance incremental costs on a grant or highly concessional basis since the vast majority of the most environmentally effective projects offer little financial return to the implementing country or company and would be done on a grant basis.

Some large projects, particularly non-aerosol and hydrocarbon aerosol alternatives to CFC aerosols, offer sufficient financial return to justify investment without the use of the Fund. In these cases, the Bank, through the International Finance Corporation (IFC), could provide financing on its usual terms. In addition, IFC loans could be used to finance investors who see a strategic interest in participating in new or expanding developing country enterprises that manufacture safe and cost-effective substitutes for CFCs, halons, methyl chloroform and other substances that deplete stratospheric ozone.

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<sup>1/</sup> According to the Terms of Reference of the Interim Multilateral Fund, UNDP is invited to assist in feasibility and pre-investment studies.

# PARTIES

Figure

## SECRETARIAT

- Serve as point of contact
- Respond to inquiries about fund
- Be liaison with member governments, administering agencies and other bilateral/multilateral institutions
- Serve as broker between governments and administering agencies
- Coordinate bilateral/multilateral contributions
- Recommend budgets to Executive Committee
- Provide other administrative and support functions for Executive Committee

## EXECUTIVE COMMITTEE

- Exercise final authority for implementation of fund
- Develop 3-year plan & budget
- Develop project eligibility criteria
- Monitor fund expenditures
- Coordinate UNDP, UNEP, World Bank implementation of fund
- Nominate chief officer of fund
- Consider and approve country plans
- Approve projects over \$500,000
- Review disagreements for funding
- Perform other functions

## OTHER AGENCIES\*

- Cooperate with Executive Committee

## UNEP

- Act as fund treasurer
- Provide the agreed clearinghouse functions
- Provide political promotion, research and data gathering

## UNDP

- Perform pre-investment and feasibility studies
- Provide technical assistance

## WORLD BANK

- Administer and manage program to finance agreed incremental costs

\* (i.e. regional development banks)