ANNEX II

SUB-COMMITTEE ON FINANCIAL MATTERS

Terms of reference

Background

1. The Second and Fourth Meetings of the Parties to the Montreal Protocol decided to establish a Multilateral Fund to provide the financing of agreed incremental costs to enable Parties operating under paragraph 1 of Article 5 of the Protocol to comply with the control measures of the Protocol.

2. The Meeting also established an Executive Committee with responsibilities, inter alia, for developing and monitoring the implementation of specific operational policies, guidelines and administrative arrangements including the disbursement of resources; supervising and guiding the administration of the Multilateral Fund; reviewing regularly the performance reports on the implementation of activities supported by the Multilateral Fund; and monitoring and evaluating expenditure incurred under the Multilateral Fund.

3. As requested by the Executive Committee at its First Meeting, the Fund, with the approval of the Secretary-General of the United Nations, was established in accordance with the Financial Regulations and Rules of the United Nations and is administered by the Executive Director of UNEP.

4. At its Third Meeting, the Executive Committee established the roles and responsibilities of the Fund Secretariat which include, inter alia, the monitoring and evaluation of expenditures; preparing performance reports on the implementation of the activities under the Fund for review by the Executive Committee; monitoring the activities of the implementing agencies based on their oral and written reports; encouraging the Parties to make prompt payment of their contributions to the Fund; providing accounts for the year; and submitting audited accounts as soon as practicable.

5. The Executive Committee entered into an agreement with UNEP to have UNEP serve as Treasurer of the Fund. As per the agreement, the Treasurer is responsible, inter alia, for receiving and administering contributions and disbursing funds to the Fund Secretariat and the implementing agencies, based on the decisions of the Executive Committee.

6. The World Bank, UNDP, UNEP, and UNIDO have been requested by the Executive Committee to cooperate with and assist Parties within their respective areas of expertise and for this purpose have entered into agreements with the Executive Committee. By agreement, each agency has committed to the provision of detailed annual financial statements or reports.

Proposals

7. The Executive Committee at its Ninth Meeting decided to create a standing Sub-Committee on Financial Matters, composed of representatives from Canada, France, Malaysia and Venezuela.

Mandate for the Sub-Committee on Financial Matters

8. The Sub-Committee will review the existing financial arrangements and procedures. In the light of the operation of the Fund over the last two years and the experience gained, the Sub-Committee will assess the adequacy of these arrangements and procedures and recommend modifications, where appropriate.

9. In so doing, the Sub-Committee will pay particular attention to the need for

(a) a uniform format for financial reporting by the implementing agencies and methodology of tracking financial transactions, on an ongoing basis;

(b) modalities for the disbursement of funds to implementing agencies and the development of cash flow requirements;

(c) independent financial and project audits, as appropriate.

10. The Sub-Committee will also address issues pertaining to the receipt of contributions to the Fund.

11. The Executive Committee may also charge the Sub-Committee with any other matter it deems appropriate.

12. The Sub-Committee shall consist of two Executive Committee members from Parties operating under paragraph 1 of Article 5 of the Protocol and two Committee members from Parties not so operating. The Treasurer and the Secretariat will assist the Sub-Committee in its work and participate in Sub-Committee meetings. Implementing agencies may be invited to participate. The Sub-Committee is empowered to require the attendance of any implementing agency on any financial matter causing concern to the Sub-Committee.

13. The Chair of the Sub-Committee will be determined by the membership and alternate among members from one meeting to the next.

14. The Sub-Committee on Financial Matters will be a standing committee. It will be appointed for a period of one year coinciding with the term of the Chair and Vice-Chair.