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

Fourteenth Meeting
Nairobi, 29-30 September 1994

CONTRIBUTIONS IN ARREARS AND PROMISSORY NOTES (REPORT FROM THE TREASURER)

I. CONTRIBUTIONS IN ARREARS

1. At its Twelfth Meeting, the Executive Committee expressed concern that a number of countries continued to be in arrears in the payment of contributions and requested the Treasurer to report on the follow-up to the recommendations made by the Sub-Committee on Financial Matters. The Executive Committee reviewed the issue at its thirteenth session and requested the Treasurer to determine ways and means to identify the causes of non-payment of contributions and to attempt to open avenues to speed up payment, bearing in mind the report of the Sub-Committee on Financial Matters and the view of the Executive Committee that the dispatch of reminder letters to Parties in arrears was not in itself adequate.

2. As at 31 August 1994, unpaid contributions to the Multilateral Fund added up to US \$174.6 million (Annex I). Of these unpaid contributions, US \$41.8 million (24 per cent) consisted of unpaid contributions for 1993 and prior years, while the remaining US \$132.8 million, (76 per cent) were unpaid contributions for 1994.

3. Annex II shows that 26 per cent of unpaid contributions for 1993 and prior years were due from countries with economies in transition and 24 per cent were owed by the remaining other countries.

4. Annex III indicates that out of US \$132.8 million 1994 unpaid contributions, 86 per cent were due from mostly countries with market economies, while 15 per cent were due from countries with economies in transition.

5. At its Tenth Meeting, the Executive Committee's Sub-Committee on Financial Matters reviewed the status of contributions in arrears to the Multilateral Fund. The Executive Committee requested the Fund Secretariat and the Treasurer to take appropriate actions to implement the recommendation of the sub-committee. The Executive Committee decided that the statement made by the Czech Republic regarding payment of contribution should be followed up by the Treasurer. The Treasurer contacted the Government of the Czech Republic on the issue of payment of the contribution of US \$100,000, provision of in-kind contribution corresponding to contributions owed by the former Czechoslovakia, and the payment of its 1994 contribution. The information received by the Treasurer indicates that the Czech Republic's contribution shall be paid within a short time.

6. At its Thirteenth Meeting, the Executive Committee requested the Treasurer to identify the causes of non-payment of contributions and to attempt to open avenues for speeding up payment. The Treasurer contacted all countries which had not paid their contributions up to 30 June 1994 requesting that, in line with the request of the Thirteenth Executive Committee Meeting, they should inform the Treasurer of the reasons for delaying their contributions, giving the deadline of 15 August for their responses.

7. As at 2 September 1994 only eight countries had responded to the Treasurer's letter of 8 August 1994, namely Austria, Australia, Ireland, Republic of Korea, New Zealand, Singapore, South Africa and Switzerland.

8. Two countries indicated that their contributions had been paid recently. Four countries informed the Treasurer that their contributions will be paid before the end of the year, while one said that the matter is under consideration by the concerned authorities. One country quoted paragraph 64-4 of the Report of the Tenth Meeting of the Open-Ended Working Group of the Parties to the Montreal Protocol stating that it has been reclassified as a developing country operating under Article 5 in retrospect from 1993 and therefore, its payment to the outstanding contribution to the Multilateral Fund from 1993 to 1996 will be cancelled on the basis of the said decision.

9. The level of response received in UNEP as at the end of August does not allow drawing conclusions on the reasons for non-payment by the Parties. Nevertheless the financial information on unpaid contributions contained in Annexes I to III suggests that a difference may be made between the possible reasons for delays of countries with economies in transition not operating under Article 5 and countries with market economies also not operating under Article 5.

10. The Executive Committee has already reviewed non-payment of contributions from countries with economies in transition. Some of the measures suggested are bilateral contributions and the application of promissory notes. Very little advance has been made to utilize the bilateral contributions and there are doubts on the possible widespread application of this modality. Some possibilities are seen in the use of promissory notes, particularly as countries would be able to spread their yearly contributions in three years. Bulgaria's willingness to use this system should be encouraged.

11. Annex II shows that of the unpaid contributions for 1993 and prior years from countries with market economies, more than fifty per cent belongs to two countries. These two countries could be requested to make a special effort to mobilize their administrative procedures to ensure an early payment of the outstanding contributions. Undoubtedly, a case-by-case analysis is required regarding other countries shown in Annex II.

12. Annex III also makes a distinction between countries with economies in transition and the rest of the countries, mainly countries with market economies. The analysis made in paragraph 10 above regarding countries with economies in transition also applies here. Another factor which may be contributing to the delayed payments by the countries with market economies is that a few countries may be waiting to see the experience with promissory notes before deciding on the best way for them to pay their contributions. The Executive Committee should encourage these countries to decide sooner on a method of payment of their contributions.

13. UNEP is not in a position to force the Parties of the Montreal Protocol to pay their outstanding contributions. The only action which it can and does take is to send reminders to countries in question. The Executive Director can also follow up with individual countries on non-payment to the Multilateral Fund when she visits such countries in the course of her duties.

14. In the end, however, it is incumbent upon the Parties to ensure that they fulfil the commitments they have entered into when adopting relevant decisions for the implementation of the Montreal Protocol. The Parties should consider measures like charging interest on accounts overdue, denying Parties with overdue accounts their voting rights or even participation and any other measures possible.

II. PROMISSORY NOTES

15. At its Twelfth Meeting the Executive Committee considered, under item 4 of the Agenda the issue of "promissory notes" and requested the Treasurer to send letters to the Parties not operating under Article 5, paragraph 1, asking them to provide an indication of the form of payment of their contributions, including a schedule for such payments.

16. The Treasurer complied to this request and sent out such letters to the Parties not operating under Article 5, paragraph 1.

17. As of 31 August 1994, the Treasurer had been informed by only four countries that they will deposit their contributions in promissory notes. One country, Bulgaria, has provided a schedule for payments of its 1994-1996 contributions, covering five years, starting on 15 June 1995. The proposed schedules of encashment for the promissory notes for France, the United Kingdom, Germany, the Netherlands and Bulgaria are presented in Annexes IV to VIII.

18. Following the request by the Executive Committee, UNEP and the World Bank had consultations on the modalities for transferring promissory notes from the Treasurer to the Bank. Once projects are approved by the Executive Committee, the Treasurer would identify promissory notes to be transferred to the Bank. The concerned Governments will then reissue promissory notes to the Bank, the promissory notes being issued to the World Bank will bear the format suggested by the World Bank in Annex IX (to be issued later).

ANNEX I

TRUST FUND FOR THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL
UNPAID CONTRIBUTIONS

AS AT 31 AUGUST 1994

COUNTRY	1993 AND PRIOR YEARS	1994	TOTAL UNPAID	COUNTRIES WITH ECONOMIES IN TRANSITION	OTHER COUNTRIES
Australia	0	1,167,272	1,167,272		1,167,272
Austria	373,816	1,308,273	1,682,089		1,682,089
Bahrain	69,428	0	69,428		69,428
Belarus	1,125,577	837,295	1,962,872	1,962,872	
Belgium	0	1,849,026	1,849,026		1,849,026
Brunei Darussalam	14,127	0	14,127		14,127
Bulgaria	173,207	226,767	399,974	399,974	
Canada	0	4,591,640	4,591,640		4,591,640
Cyprus	26,647	34,887	61,534		61,534
Czech Republic	879,093	732,633	1,611,726	1,611,726	
Denmark	0	1,133,837	1,133,837		1,133,837
France	0	2,019,186	2,019,186		2,019,186
Germany	0	15,577,174	15,577,174		15,577,174
Greece	257,327	610,528	867,855		867,855
Hungary	549,125	313,986	863,111	863,111	
Ireland	0	313,986	313,986		313,986
Israel	0	401,204	401,204		401,204
Italy	3,971,593	7,483,323	11,454,916		11,454,916
Japan	0	21,717,336	21,717,336		21,717,336
Korea, Republic of	919,330	1,203,611	2,122,941		2,122,941
Kuwait	286,549	436,091	722,640		722,640
Monaco	3,130	17,444	20,574		20,574
Netherlands	0	2,616,547	2,616,547		2,616,547
Norway	0	959,400	959,400		959,400
Poland	626,210	819,851	1,446,061	1,446,061	
Portugal	531,587	348,873	880,460		880,460
Russian Federation	23,654,002	11,704,685	35,358,687	35,358,687	
Saudi Arabia	756,928	1,674,590	2,431,518		2,431,518
Singapore	0	1,348	1,348		1,348
Slovakia	272,100	226,767	498,867	498,867	
South Africa	0	224,189	224,189		224,189
Sweden	0	1,936,244	1,936,244		1,936,244
Switzerland	0	1,936,244	1,936,244		1,936,244
Ukraine	4,332,590	3,261,961	7,594,551	7,594,551	
United Arab Emirates	399,049	366,317	765,366		765,366
United Kingdom	0	8,756,709	8,756,709		8,756,709
United States	2,342,492	35,552,667	37,895,159		37,895,159
Uzbekistan	216,390	453,535	669,925	669,925	
TOTAL	41,780,297	132,815,426	174,595,723	50,405,774	124,189,949
PERCENTAGES	24	76	100	29	71

ANNEX II

TRUST FUND FOR THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL
UNPAID CONTRIBUTIONS FOR 1993 AND PRIOR YEARS

AS AT 31 AUGUST 1994

COUNTRY	TOTAL	COUNTRIES WITH ECONOMIES IN TRANSITION	OTHER COUNTRIES
Austria	373,816		373,816
Bahrain	69,428		69,428
Belarus	1,125,577	1,125,577	
Brunei Darussalam	14,127		14,127
Bulgaria	173,207	173,207	
Cyprus	26,647		26,647
Czech Republic	879,093	879,093	
Greece	257,327		257,327
Hungary	549,125	549,125	
Italy	3,971,593		3,971,593
Korea, Republic of	919,330		919,330
Kuwait	286,549		286,549
Monaco	3,130		3,130
Poland	626,210	626,210	
Portugal	531,587		531,587
Russian Federation	23,654,002	23,654,002	
Saudi Arabia	756,928		756,928
Slovakia	272,100	272,100	
Ukraine	4,332,590	4,332,590	
United Arab Emirates	399,049		399,049
United States	2,342,492		2,342,492
Uzbekistan	216,390	216,390	
TOTAL	41,780,297	31,828,294	9,952,003
PERCENTAGE	100	76	24

ANNEX III

TRUST FUND FOR THE MULTILATERAL FUND UNDER THE MONTREAL PROTOCOL
UNPAID CONTRIBUTIONS FOR 1994

AS AT 31 AUGUST 1994

COUNTRY	TOTAL	COUNTRIES WITH ECONOMIES IN TRANSITION	OTHER COUNTRIES
Australia	1,167,272		1,167,272
Austria	1,308,273		1,308,273
Belarus	837,295	837,295	
Belgium	1,849,026		1,849,026
Bulgaria	226,767	226,767	
Canada	4,591,640		4,591,640
Cyprus	34,887		34,887
Czech Republic	732,633	732,633	
Denmark	1,133,837		1,133,837
France	2,019,186		2,019,186
Germany	15,577,174		15,577,174
Greece	610,528		610,528
Hungary	313,986	313,986	
Ireland	313,986		313,986
Israel	401,204		401,204
Italy	7,483,323		7,483,323
Japan	21,717,336		21,717,336
Korea, Republic of	1,203,611		1,203,611
Kuwait	436,091		436,091
Monaco	17,444		17,444
Netherlands	2,616,547		2,616,547
Norway	959,400		959,400
Poland	819,851	819,851	
Portugal	348,873		348,873
Russian Federation	11,704,685	11,704,685	
Saudi Arabia	1,674,590		1,674,590
Singapore	1,348		1,348
Slovakia	226,767	226,767	
South Africa	224,189		224,189
Sweden	1,936,244		1,936,244
Switzerland	1,936,244		1,936,244
Ukraine	3,261,961	3,261,961	
United Arab Emirates	366,317		366,317
United Kingdom	8,756,709		8,756,709
United States	35,552,667		35,552,667
Uzbekistan	453,535	453,535	
TOTAL	132,815,426	18,577,480	114,237,946
PERCENTAGES	100	14	86

ANNEX IV

PROMISSORY NOTES SCHEDULE OF PAYMENTS (US DOLLARS)

GOVERNMENT OF FRANCE

YEAR	TOTAL	NOTE	1991	1992	1993	1994	1995	1996	1997	1998	1999	BALANCE
1991	3,922,799	3,922,799	784,560	784,560	784,560	784,560	784,560					0
1992	5,282,564	5,282,564		1,056,513	1,056,513	1,056,513	1,056,513	1,056,513				0
1993	7,994,173	7,994,173			1,598,835	1,598,835	1,598,835	1,598,835	1,598,835			0
1994	10,466,186	8,372,949					2,790,983	2,790,983	2,790,983			2,093,237
1995	10,466,186	8,372,949						2,790,983	2,790,983	2,790,983		2,093,237
1996	10,466,186	8,372,949							2,790,983	2,790,983	2,790,983	2,093,237
TOTAL			784,560	1,841,073	3,439,907	3,439,907	6,230,890	8,237,313	9,971,783	5,581,966	2,790,983	6,279,711

NOTE:- For the promissory notes for the 1991 - 1993 contributions are initially scheduled to be encashed at a rate of one fifth once per year.

The promissory notes for the 1994 - 1996 are 80% of the annual contributions to be encashed twice a year at a rate of one sixth. The balance will presumably be in a combination of bilateral assistance and cash.

ANNEX V

PROMISSORY NOTES SCHEDULE OF PAYMENTS (US DOLLARS)

GOVERNMENT OF THE UNITED KINGDOM

YEAR	TOTAL	NOTE	1991	1992	1993	1994	1995	1996	1997	1998	1999	BALANCE
1991	3,050,369	0	0									3,050,369
1992	4,107,721	2,806,045		3,443,436								664,285
1993	6,668,458	6,668,458			3,720,635	6,662,477						(3,714,654)
1994	8,756,709	8,756,709					2,918,903	2,918,903	2,918,903			0
1995	8,756,709	8,756,709						2,918,903	2,918,903	2,918,903		0
1996	8,756,709	8,756,709							2,918,903	2,918,903	2,918,903	0
TOTAL	40,096,675	35,744,630	0	3,443,436	3,720,635	6,662,477	2,918,903	5,837,806	8,756,709	5,837,806	2,918,903	0

NOTE:- The 1991 - 1993 promissory notes have been encashed in total.

The promissory notes for 1994 - 1996 will cover 80% of the respective annual contributions and will be encashed twice a year at a rate of one sixth.

ANNEX VI

PROMISSORY NOTES SCHEDULE OF PAYMENTS (US DOLLARS)

GOVERNMENT OF GERMANY

YEAR	TOTAL	NOTE	1991	1992	1993	1994	1995	1996	1997	1998	1999	BALANCE
1991	5,874,784	0	5,874,784									0
1992	7,911,167	0		7,911,167								0
1993	11,897,994	0			11,897,994							0
1994	15,577,174	15,577,174					5,192,391	5,192,391	5,192,391			0
1995	15,577,174	15,577,174						5,192,391	5,192,391	5,192,391		0
1996	15,577,174	15,577,174							5,192,391	5,192,391	5,192,391	0
TOTAL	72,415,467	46,731,522	5,874,784	7,911,167	11,897,994	0	5,192,391	10,384,783	15,577,174	10,384,783	5,192,391	0

NOTE:- The 1991 - 1993 contributions have been paid fully in cash.

The promissory notes for 1994 - 1996 will cover the full annual contributions and will be encashed twice a year at a rate of one sixth.

ANNEX VII

PROMISSORY NOTES SCHEDULE OF PAYMENTS (US DOLLARS)

GOVERNMENT OF THE NETHERLANDS

YEAR	TOTAL	NOTE	1991	1992	1993	1994	1995	1996	1997	1998	1999	BALANCE
1991	1,035,619	0	1,035,619									0
1992	1,394,597	0		1,394,597								0
1993	1,998,543	0			1,998,543							0
1994	2,616,547	2,616,547					872,182	872,182	872,182			0
1995	2,616,547	2,616,547						872,182	872,182	872,182		0
1996	2,616,547	2,616,547							872,182	872,182	872,182	0
TOTAL	12,278,400	7,849,641	1,035,619	1,394,597	1,998,543	0	872,182	1,744,365	2,616,547	1,744,365	872,182	0

NOTE:- The 1991 - 1993 contributions have been paid fully in cash.

The promissory notes for 1994 - 1996 will cover the full annual contributions and will be encashed twice a year at a rate of one sixth.

ANNEX VIII

PROMISSORY NOTES SCHEDULE OF PAYMENTS (US DOLLARS)

GOVERNMENT OF BULGARIA

YEAR	TOTAL	NOTE	1991	1992	1993	1994	1995	1996	1997	1998	1999	BALANCE
1991	0.00	0.00	0.00									0.00
1992	126,782	0		126,782								0
1993	173,207	0			0							173,207
1994	226,767	226,767					75,589	75,589	75,589			0
1995	226,767	226,767						75,589	75,589	75,589		0
1996	226,767	226,767							75,589	75,589	75,589	0
TOTAL	980,290	680,301	0	126,782	0	0	75,589	151,178	226,767	151,178	75,589	173,207

NOTE:- The 1993 contribution has been paid fully in cash.

The promissory notes for 1994 - 1996 will cover the full annual contributions and will be encashed twice a year at a rate of one sixth.