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

Seventeenth Meeting
Montreal, 26-28 July 1995

REPORT FROM THE TREASURER
ON
THE PROCEDURE OF TRANSFERRING PROMISSORY NOTES

The Procedure of Transferring Promissory Notes

a) Establishing procedure of transferring of promissory notes

1. In the light of the difficulties encountered in transferring to the implementing agencies the promissory notes issued to the Treasurer the sixteenth meeting of the Executive Committee requested the Treasurer to hold further consultations so as to define the most effective procedure of transferring the promissory notes.

2. Consultations have been held between the Treasurer, some of the Governments using promissory notes in the payment of their contributions to the Multilateral Fund and the World Bank, the implementing agency currently accepting resource transfers in the form of promissory notes. The prospect of agreeing to a procedure which is acceptable to both the Governments and the World Bank is very high and in the event that this will be concluded in advance of the seventeenth meeting, the Executive Committee will be duly informed of this procedure in more detail.

3. It should be noted also that due to the variations between different countries in the procedure of establishing and transferring promissory notes it is unlikely that there will be one procedure which will be acceptable to all. The ease with which the French Government's promissory notes have been transferred to the account of the World Bank while other countries have had difficulties in doing so is a typical illustration of these variations.

4. It is foreseeable that in some cases the Treasurer may have to encash the promissory notes in order to transfer to the implementing agencies the resources they require. This may in turn need to have the agreements between the Executive Committee and the implementing agencies revised so that the latter would accept partial transfers of resources to them while the remaining value of the resources for their approved programmes will be kept by the Treasurer in the form of promissory notes.

5. The Treasurer will keep the Executive Committee informed about the progress being made in reaching generally agreed procedures of transferring promissory notes to the implementing agencies.

b) Denominating US dollar value to non-US dollar promissory notes

6. The Treasurer would like to inform the Executive Committee also that the promissory notes deposited by Parties in currencies other than the United States dollar will in the books of the Treasurer be recorded only in United States dollars value using the exchange rate indicated by the depositor at the time the Treasurer is notified of the deposit.

7. In order to ensure consistency between the records of both the Party depositing a promissory note and those of the Treasurer, any shortfall or surplus between the originally intended United States dollar value and the value realized during the ecashment should be compensated by either the Parties depositing the promissory notes or the Treasurer. Only in cases of significant exchange rate fluctuations of a permanent nature would there be reason to amend the nominal United States dollar value in the records of both the Treasurer and the Parties in question.

8. Partial encashments of the promissory notes by the Treasurer will be recorded as cash payments using the actual United States dollar value received. The encashments together with the remaining value of the promissory notes will be maintained at the value of the originally deposited promissory notes. The value of promissory notes transferred to implementing agencies will be recorded in this United States dollars value as maintained by the Treasurer. Upon the final encashment of the promissory notes the United States dollar value realized in the process of encashment will be determined for the purpose of taking the appropriate action of either requesting the Party in question to settle the deficit or the Treasurer paying back to the Party the excess United States dollars value realized.