

Annex XVII

ASSESSMENT REPORT ON THE RECOMMENDATIONS IN THE 2004 EVALUATION AND REVIEW OF THE FINANCIAL MECHANISM OF THE MONTREAL PROTOCOL

Report of the Executive Committee

1. As requested by decision XVI/36 of the Sixteenth Meeting of the Parties, the Executive Committee has reviewed the general recommendations made by the Consultant and submits the following report for the consideration of the Meeting of the Parties.
2. After the deliberation at its 45th Meeting, the Executive Committee considers that 11 general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer and do not need any new action, but instead require regular follow-up at meetings of the Committee. The Executive Committee will report back to the Meeting of the Parties on these recommendations, as appropriate, in the context of its Annual Report.
3. Ten general recommendations are related to ongoing activities of the Executive Committee, the Secretariat, the Implementing Agencies and the Treasurer but may require new actions in the short term. The Executive Committee will report back to the Meeting of the Parties on these recommendations, as appropriate, in the context of its Annual Report.
4. Seven general recommendations were considered not necessary to be implemented. Six because future action would be redundant in the light of recent developments or existing practices. One because of the potential negative incentive. The Executive Committee considers that there is no need for further reporting on these recommendations.
5. The general recommendations that correspond to the previous three paragraphs of this chapeau are:

Category	General Recommendation Numbers
Paragraph 2	2, 6, 7, 15, 16, 18, 21, 22, 24, 25, 28
Paragraph 3	1, 3, 4, 9, 11, 12, 17, 20, 23, 26
Paragraph 4	5, 8, 10, 13, 14, 19, 27

GENERAL RECOMMENDATION 1: Make further structural changes to the Executive Committee, if necessary to specifically address compliance. The Executive Committee felt that there was no need for a structural change to the Executive Committee to address compliance as this was being addressed under the existing structure through planning, monitoring, and funding activities. In addition, the Committee at its 45th Meeting decided to consider at its 46th Meeting a process for intersessional approval that might expedite project approval for new Parties and Parties in non-compliance or at risk of non-compliance. The Executive Committee will continue to consider further structural changes if necessary for compliance and report to the Parties as appropriate on any new developments.

GENERAL RECOMMENDATION 2: Continue to evaluate Executive Committee structure and consider reduction of annual meeting numbers. The Executive Committee considered structural changes to the Executive Committee including the reduction in the annual number of meetings and an intersessional approval process that were discussed at the 44th and 45th Meetings. At its 45th Meeting, the Committee decided to continue to meet three times each year due to the current workload of the Committee. The Executive Committee will continue to evaluate its structure and report to the Parties as appropriate on any new developments.

GENERAL RECOMMENDATION 3: Develop a primer to provide background on the Fund for new Executive Committee members. After considering this issue, the Executive Committee requested the Secretariat to prepare a draft outline of an Executive Committee primer for consideration at the 46th Meeting of the Executive Committee with the aim of a draft primer being presented to the 47th Meeting. The primer would be a living document and would therefore be updated. The Executive Committee will report the completion of the first primer to the Meeting of the Parties and provide copies to all Parties.

GENERAL RECOMMENDATION 4: Ensure that results of review of project implementation delay are not only applied to determine project cancellation, monitoring, or removal from the list of delays, but also to inform implementing agencies of how to avoid future delays. After considering this issue, the Executive Committee requested the implementing agencies to provide information on how to avoid future delays as part of a lessons learned document to be considered at the 46th Meeting of the Executive Committee. The Executive Committee will update the Parties on its future decision and report subsequently, as appropriate.

GENERAL RECOMMENDATION 5: Request the Secretariat to take action to develop prescriptive approaches to address project implementation delays. Although the recommendation includes a request to the Secretariat, the Executive Committee felt that it was responsible for taking such actions instead of the Secretariat. Moreover, the Executive Committee has prescriptive approaches to avoiding delays currently in place and under enforcement. Prescriptive approaches are enforced to address project implementation delays primarily through the process of monitoring such projects at each meeting and other decisions related to reasons for delays such as delays due to counterpart funding and customs clearance. In view of these facts, the Committee felt that this recommendation should not be implemented as stated but was being implemented by the Committee.

GENERAL RECOMMENDATION 6: Build on decision 40/19 and the subsequent report submitted by UNEP (UNEP/OzL.pro/ExCom/41/Inf.2) to assist countries that consume very low quantities of methyl bromide, CTC, and methyl chloroform. At its 45th Meeting, the Executive Committee endorsed business plans and approved work programmes that included projects for countries with very low consumption of methyl bromide, CTC and methyl chloroform. It adopted guidelines for CTC and methyl chloroform projects for countries with baselines of 2 ODP tonnes and lower. Guidelines already exist for addressing low-volume countries consuming very low quantities of methyl bromide. The Executive Committee will continue to report as appropriate on the extent to which it assists countries with very low quantities of these substances.

GENERAL RECOMMENDATION 7: Continue to collaborate with the Secretariat and implementing agencies to maintain effectiveness in dealing with issues of project overlap, ineligible funding, and inflated costs. The Secretariat and bilateral and implementing agencies meet annually to avoid project overlap and any potential overlaps are brought to the attention of the Executive Committee in the context of annual business plans. As well, the Secretariat brings cases of ineligible funding and inflated costs to the attention of the Executive Committee at every meeting. As suggested by the recommendation, the Executive Committee will continue to collaborate to avoid project overlaps, ineligible funding and inflated costs and would report to the Parties on any new developments as appropriate.

GENERAL RECOMMENDATION 8: Reclassify Executive Committee meeting documentation as general distribution. The Executive Committee decided that from the 46th Meeting onwards pre-session documents would be classified as General Distribution while restricting access to any project document that a Party had requested to be classified as such until the Committee's consideration of the matter.

The Executive Committee also requested that the Secretariat publish all documents starting from the 46th Meeting on the web site in the languages produced for the meetings pursuant to decision II/8. Since the Committee has agreed to reclassify its meeting documentation as general distribution unless restricted at the request of a Party, the Executive Committee felt that the recommendation was implemented.

GENERAL RECOMMENDATION 9: Extend performance indicators to bilateral implementing agencies. After considering this issue, the Executive Committee requested the Secretariat to prepare a paper addressing the feasibility and desirability of extending the current and proposed performance indicators (see general recommendation 12) to bilateral implementing agencies for submission to the 46th Meeting of the Executive Committee. Based on the decision at the 45th Meeting, the Executive Committee considered this matter ongoing to be completed in the short term with the results to be reported back to the Parties.

GENERAL RECOMMENDATION 10: Add performance indicators to address project identification. Based on its consideration of this issue at the 45th Meeting, the Executive Committee considered that this recommendation should not be implemented, as project development or identification are tied to compliance needs and are coordinated effectively by the agencies and the Secretariat.

GENERAL RECOMMENDATION 11: Increase the weighting of the performance indicator "ODS phased-out for individual projects versus those planned per progress reports". Based on the discussion at its 45th Meeting, the Executive Committee decided to consider at its 46th Meeting whether a further review of the weighting of the quantitative performance indicators is warranted based on their application in the Evaluation of the Implementing Agencies' 2004 Business Plans to be submitted to the 46th Meeting. In the light of this decision, the Executive Committee considered this matter to be ongoing for completion in the short term with results to be reported back to the Parties.

GENERAL RECOMMENDATION 12: Continue process of developing qualitative indicators. Pursuant to decision 44/6, National Ozone Units have been given an opportunity to consider proposed qualitative performance indicators that were developed by the Committee at its 44th Meeting. The results of their consideration of the matter will be submitted to the 46th Meeting. The Executive Committee considered this matter to be ongoing for completion in the short term with the results to be reported back to the Parties.

GENERAL RECOMMENDATION 13: Share results of performance evaluations with upper management of implementing agencies. Based on the discussion at its 45th Meeting, the Executive Committee believed that it had the ability to share such evaluations with upper management or others when it felt that such an approach was warranted, as it had done at its 32nd Meeting. Therefore, it considered that the recommendation should not be implemented on a regular basis, but implemented as needed.

GENERAL RECOMMENDATION 14: Eliminate selected administrative indicators if relevant administrative problems are resolved. Based on the discussion at its 45th Meeting, the Executive Committee believed that the elimination of these indicators might encourage poorer performance. Therefore, it considered that the recommendation should not be implemented.

GENERAL RECOMMENDATION 15: Increase efforts to improve country-level data reporting. The Executive Committee continues to seek improvements in data reporting by supporting institutional strengthening projects and UNEP's Compliance Assistance Programme. It should be noted that 2003 data reporting was excellent, with only a very few countries not reporting in time. Nevertheless, the Executive Committee would continue to seek improvement in country level data reporting and report back to the Meeting of the Parties as appropriate.

GENERAL RECOMMENDATION 16: Continue efforts to reduce/avoid project implementation delays. The Executive Committee considered that the past and ongoing efforts to reduce/avoid implementation delays were being effectively implemented through the effort of the agencies and the Secretariat. The Executive Committee would, however, continue its efforts to reduce delays and report back to the Parties as appropriate.

GENERAL RECOMMENDATION 17: Increase communication between implementing agencies and the Treasurer when promissory notes are transferred, received and encashed. After having considered this matter, the Executive Committee decided to request the Treasurer to circulate to the Secretariat and implementing agencies prior to each Executive Committee meeting a ledger indicating when promissory notes are transferred, received and encashed. The Executive Committee will report back to the Meeting of the Parties on the implementation of the reporting mechanism for promissory notes and would continue to report as appropriate on its efforts to increase communication between the agencies and the Treasurer.

GENERAL RECOMMENDATION 18: Continue to maximize proportion of budget spent on implementation and minimize proportion of budget spent on core components. The Executive Committee determined that this recommendation was being implemented on an

ongoing basis through the annual review of the core unit costs and that it would continue to report to the Parties on this matter as appropriate.

GENERAL RECOMMENDATION 19: Request implementing agencies to explain significant increases in their core budget expenses. At its 44th Meeting, the Executive Committee requested implementing agencies to provide more in-depth information on their administrative costs in the context of the required annual review of such costs. The Committee requested this information in order to *inter alia* understand all core budget expenses including those cases where there may have been a significant increase. Since the Committee has already requested this information, the Committee considered that this recommendation had been implemented.

GENERAL RECOMMENDATION 20: Conduct a study regarding the efficiency of implementing agency administration of smaller projects. The Executive Committee was of the view that this issue was partially addressed in the context of the post-2007 RMP review. An Administrative costs study will be submitted to the 46th Meeting. The Executive Committee will report back to the Meeting of the Parties on any new action it might take at its 46th Meeting and report subsequently if needed.

GENERAL RECOMMENDATION 21: Monitor the use of funds for non-investment versus investment activities within national or sector phase-out plans. The Executive Committee monitors the use of all funds for all activities in national and sector phase-out plans. The Committee will continue to monitor the use of all funds and report back to the Meeting of the Parties as appropriate.

GENERAL RECOMMENDATION 22: Provide in Table 1 of the status report on contributions and disbursements the incremental income, allocations and provisions, and balance available for new allocations, in addition to the cumulative totals of these financial components. The Executive Committee agreed that Table 1 of the status report on contributions and disbursements contains the information requested in this recommendation. The Committee would continue to report on this matter as appropriate.

GENERAL RECOMMENDATION 23: Document the internal procedures and practices of the Treasurer. After considering the issue of documenting the internal procedures and practices of the Treasurer, the Executive Committee decided at its 45th Meeting to request the Treasurer to report on final progress in this regard to the 46th Meeting. The Executive Committee will report back to the Parties once the internal procedures and practices of the Treasurer had been documented and would report subsequently as appropriate.

GENERAL RECOMMENDATION 24: Take action to encourage timely payment by the donor countries. The Executive Committee will continue to take action to encourage timely payment by donor countries and will continue to report to the Parties on any actions that it might take as appropriate.

GENERAL RECOMMENDATION 25: Implement internal quality control measures to improve the accuracy of recordkeeping. After considering the issue of internal quality control, the Executive Committee decided at its 45th Meeting to request the Treasurer to provide a

detailed report once each year, and interim reports at other times as appropriate, on quality control measures to improve the accuracy of recordkeeping. The Executive Committee considered this recommendation as ongoing and would report to the Parties as appropriate.

GENERAL RECOMMENDATION 26: Clarify how, when, and what financial data should be accounted and reported by implementing agencies. After considering the report of the workshop on common terminology and procedures for the reconciliation of accounts, the Executive Committee found that the roles of the agencies in terms of data reporting had been clarified. Agreements between the Treasurer and each agency were under development, and the Secretariat in cooperation with the Treasurer and the Implementing Agencies intended to produce a primer to clarify how, when and what financial data should be accounted and reported by implementing agencies. The Executive Committee would report back to the Parties when these agreements were in place and when the primer had been developed. The Committee would report to a subsequent Meeting of the Parties as appropriate.

GENERAL RECOMMENDATION 27: Consider engaging an independent auditor to assist with account reconciliation if financial discrepancies persist. Since any audit of United Nations agencies, when necessary, has to be conducted under UN financial rules, the Executive Committee was of the view that this recommendation could not be implemented.

GENERAL RECOMMENDATION 28: Continue to analyze the FERM's effect on Fund value. At its 44th Meeting, the Committee noted that in Annex XIX to the report, the issue of FERM was a matter for decision by the Meeting of the Parties. After its review at the 45th Meeting, the Committee noted that the impact of the FERM on the value of resources available to the Fund was monitored by the Treasurer as part of his report on the Status of Contributions and Disbursements to each meeting of the Executive Committee. The Executive Committee would continue analyzing FERM and report to the Parties as appropriate.
