



United Nations Environment Programme

Distr.
LIMITED



UNEP/OzL.Pro/ExCom/13/44
5 July 1994

ORIGINAL: ENGLISH

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

Thirteenth Meeting
Montreal, 25-27 July 1994

DRAFT REPORT OF THE EXECUTIVE COMMITTEE TO THE SIXTH MEETING OF THE PARTIES

Introduction

1. The terms of reference of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, require the Executive Committee to report annually to the Meeting of the Parties (Annex X to the report of the Fourth Meeting of the Parties contained in document UNEP/OzL.Pro.4/15). This report, which covers the activities undertaken by the Executive Committee since the Fifth Meeting of the Parties, is submitted in fulfilment of that requirement.

2. During this reporting period, the Twelfth Meeting of the Executive Committee was held in Montreal, 28-31 March 1994 and the Thirteenth Meeting was held in Montreal, 25-27 July 1994. The Fourteenth Meeting is scheduled to take place in Nairobi, Kenya, from 30 September to 1 October 1994.

3. Meetings of the Executive Committee were attended by Australia, Denmark, France, Norway, Japan, Poland and the United States of America, representing Parties not operating under paragraph 1 of Article 5, and by Algeria, Argentina, Brazil, Cameroon, India, Malaysia and Venezuela, representing Parties operating under paragraph 1 of Article 5. The meetings were chaired by Mr. Tan Meng Leng (Malaysia) and Mr. John Whitelaw (Australia) acted as Vice-Chairperson. Mr. Omar E. El-Arini, Chief Officer, acted as Secretary.

4. In accordance with the decision taken by the Executive Committee at its Second Meeting, the following participants attended the meetings as observers:

- The President of the Bureau of the Meeting of the Parties to the Montreal Protocol;
- Representatives of the implementing agencies: United Nations Development Programme, United Nations Environment Programme, United Nations Industrial Development Organization, and the World Bank;
- Representatives of Commonwealth Science Council, Friends of the Earth and Greenpeace; and,
- Representatives of Alliance for Responsible Atmospheric Policy, Harvard University, State University of New York at Albany and Université du Québec à Montréal.

Status of contributions and disbursements

5. As at 31 May 1994, the total income to the Fund stood at US \$195,876,598, of which US \$167,185,766 has been disbursed, leaving a balance of US \$28,690,832.

6. The contributions amounted to US \$188,718,368, including US \$5,321,308 as bilateral contributions. This was made up of contributions for 1991 of US \$45,321,555 (against a total pledge of US \$53,320,777) and US \$57,665,662 for 1992 (against a total pledge of US \$73,339,613), US \$75,291,440 (against a total pledge of US \$114,653,369) for 1993 and US \$5,178,403 (against a total pledge of US \$151,672,304) for 1994.

7. Pursuant to the decision taken at the Eleventh Meeting of the Executive Committee to consider promissory notes as encashable resources to the Fund, the Treasurer submitted a draft encashment schedule for promissory notes which was adopted at the Twelfth Meeting as an initial encashment schedule which could be modified later on the basis of experience gained. As at this writing, France and the United Kingdom are the two countries which have selected the promissory note mechanism for making contributions to the Fund.

8. As at 31 May 1994, outstanding contributions for 1991, 1992 and 1993 stood at US \$58,539,956. Outstanding contributions for 1994 amounted to US \$145,662,101.

9. About 54 per cent of this is attributed to eight countries with economies in transition; 43 per cent is attributed to developed countries; and the remaining 3 per cent is attributed to developing countries not operating under paragraph 1 of Article 5.

10. At the Twelfth Meeting, the Executive Committee expressed great concern that a number of countries continued to be in arrears in contribution payments, and requested a full report from the Treasurer to its Thirteenth Meeting on the follow-up to the recommendations made by the Sub-Committee on Contributions in Arrears adopted at the Tenth Meeting.

11. The Executive Committee also decided that arrears for 1993 and prior years should be paid in cash in accordance with the decision taken at the Eleventh Meeting of the Executive Committee on establishing promissory notes for payment of future contributions. However, in

view of the difficulties experienced by countries with economies in transition in meeting their obligations, the Executive Committee decided to extend to them the facilities of payment of their arrears through promissory notes.

Bilateral contributions

12. In accordance with the Guidelines for Bilateral and Regional Contributions adopted at its Fifth Meeting and the criteria set out by the Parties, the Executive Committee approved during the period under review requests to credit bilateral assistance amounting to a total of US \$2,514,800 against contributions of the following Parties to the Fund:

- Australia US \$ 66,800 (against 1994 contribution);
- Republic of France US \$ 44,000 (against 1994 contribution);
- Republic of Singapore US \$ 40,000 (against 1994 contribution);
- United States
of America US \$2,364,000 (against 1994 contribution).

13. Bilateral activities provided by Australia, France, the Republic of Singapore and the United States of America occurred in eight countries and one region during the period under review.

14. Of the six countries active in bilateral programmes, progress reports have been received from Australia, Canada, the Republic of Singapore and the United States of America. France is starting its bilateral programme in 1994 with country programme preparation in Mauritania. Approximately, 60 per cent of the activities undertaken in this form of contribution have been completed. Activities under these bilateral programmes include investment/demonstration project implementation, training workshops, country programme preparation and project preparation. The geographical coverage of these activities is presented below:

<u>Country</u>	<u>Geographical Coverage</u>
Australia	South East Asian countries
Canada	Brazil, China, Venezuela
France	Mauritania
Republic of Singapore	South East Asian countries
Republic of South Africa	neighbouring countries
United States of America	Argentina, China, Ecuador, Malaysia, Mexico, Panama, Thailand, Uruguay and Venezuela

Country programmes

15. During the period under review the Executive Committee disbursed US \$989,440 for the preparation, completion and updating of 21 country programmes.

16. During the same period, it approved the country programmes of the following countries: Argentina, Botswana, Brazil, Colombia, Côte d'Ivoire, Indonesia, Kenya, Malawi, Seychelles, Sri Lanka, Sudan, Uganda and Zimbabwe. Thus far, a total of 40 country programmes have been approved by the Fund.

17. Total annual consumption of controlled substances covered by the country programmes approved at the Twelfth and Thirteenth Meetings amount to 23,500 tonnes (ODP).

Projects

18. During the period under review, the Executive Committee approved US \$38,189,780 in funding for 42 investment projects (costing over US \$500,000) to be implemented in Argentina, Cameroon, China, Colombia, Egypt, India, Indonesia, Jordan, Malaysia, Philippines, Syria, Thailand, Uruguay and Venezuela. The Executive Committee allocated US \$24,124,935 for investment, demonstration, and technical assistance projects under work programmes. Both allocations will result in the phase-out of 12,000 tonnes of ozone depleting substance.

19. During the reporting period, the Executive Committee approved demonstration and investment projects totalling US \$49.8 million, which are broken down by sectors as follows:

Sectors	Nº of Projects	Total Allocation (US \$)
Aerosol	2	207,850
Foams	50	20,089,718
Halons	2	454,000
Refrigeration	27	26,586,429
Solvents	5	2,465,833
TOTAL	86	49,803,830

From the above table, it is apparent that the greatest number of projects fall into the foam sector, whereas in terms of dollar value, refrigeration sector ranks first.

20. Therefore, since 1991, the Executive Committee has approved US \$188.33 million which will lead to the eventual phase out of 44,600 tonnes (ODP) of ozone depleting substances. Furthermore, the Executive Committee approved US \$20.11 million in funding for demonstration and technical assistance projects in 25 Article 5 countries.

Institutional strengthening

21. Institutional strengthening is provided for Article 5 countries to provide necessary resources to an eligible country to enable it to strengthen a mechanism within the country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country, as well as ensuring effective liaison between the country on the one hand, and the Executive Committee, the Fund Secretariat, and the implementing agencies on the other.

22. During the period under review, US \$1,664,885 was allocated for strengthening national institutions in 12 Article 5 countries.

Technical assistance

23. Technical assistance has been provided by the Fund in several areas including country programme preparation, project preparation, workshops, training programmes, and strategy development. Project preparation has occurred in 25 Article 5 countries. Project preparation may serve as an incentive for companies to phase-out without further assistance from the Fund when the project preparation activity results in a financial analysis that indicates that the project can be self-financed.

24. Workshops have been conducted that disseminate information about the Protocol, funding procedures, and technological options. Workshops are also used in identifying potential project proposals. Training is often conducted in combination with the provision of equipment that results in reduced demand for ozone depleting substances.

25. In order to coordinate activities within a country, and in some cases on a global and regional basis, the Fund has supported the development of sector strategies. Sector strategies are intended to describe how various project proposals are interrelated and how the phase-out of one activity is not replaced by increased ozone depleting substance consumption or production in another area within the same country.

Implementing agency activities

26. During the period under review, the Executive Committee allocated US \$64,149,249 to the implementing agencies for investment projects and for activities contained in their 1994 work programmes as follows:

• United Nations Development Programme	US \$31,146,408
• United Nations Environment Programme	US \$ 4,127,797
• United Nations Industrial Development Organization	US \$14,024,450
• World Bank	US \$14,850,594

27. These funds include agencies' support costs.

Progress in Implementation

28. Since the establishment of the Fund, the Executive Committee has approved over 500 activities in 72 Article 5 countries. By region, 286 activities were approved in Asia and the Pacific, followed by Latin America and the Caribbean (125 activities), Africa (113 activities), and Europe (12 activities). Additionally, 66 global activities were approved.

29. More than US \$195.16 million has been allocated to the four agencies for the implementation of these activities. Also, US \$6.9 million has been provided by seven Parties not operating under Article 5 of the Montreal Protocol as bilateral assistance, namely Australia, Canada, France, Germany, Singapore, South Africa and the United States.

30. The World Bank is the implementing agency for 193 projects amounting to 53.2 per cent of the disbursed funds, and UNDP is implementing 222 projects amounting to 26.1 per cent of the funds disbursed.

31. The largest allocation of funds corresponds to projects under the refrigeration (US \$64.0 million) and foam (US \$48.5 million) sectors. The "several" sector category (US \$36.9 million) indicates projects which cover more than one sector, e.g., country programme preparation, preparation of investment projects, etc.

32. The Executive Committee has disbursed more than US \$4.52 million for the preparation of the country programmes of 66 Article 5 Parties. So far, the Committee has approved 40 country programmes. Total consumption of controlled substances covered by the approved country programmes amounts to almost 135,200 ODP tonnes which is over 90 per cent of the total consumption of ODS in developing countries.

33. Funds amounting to US \$8.77 million have been provided to 42 Article 5 countries for institutional strengthening to facilitate the implementation of country action plans for the phase-out of controlled substances. All of the ozone units that have been so far supported by the Multilateral Fund are already operational or at the final stages to become operational, where funds were made available to them by the implementing agencies.

34. The Executive Committee has approved 75 training programmes at the national, regional and global levels, at a cost over US \$7.02 million. So far, 15 national training programmes in 12 Article 5 countries, 12 regional workshops and 7 global training activities have been completed.

35. Of a total of 99 technical assistance programmes approved, 16 have been implemented in eight Article 5 countries and 12 at the global level. Four out of ten demonstration programmes have been completed in the refrigeration and halon sectors.

Status of Disbursement as at 31 May 1994

(Unit = US \$)

Agency	Funds Allocated	Project Related Budget	Project Related Disbursement
UNDP	43,802,316	38,299,277	12,562,023 (32.8%)
UNEP	11,512,687	10,182,366	3,509,820 ¹ (34.5%)
UNIDO	7,040,867	6,300,00	1,000,000 (16.85%)
World Bank	90,096,124	81,191,000	5,060,000 ² (6.2%)

¹ As of end of 1993

² Project committed representing amounts in Grant Agreement signed: US \$35,430,000.

Ozone depleting substance phase-out

36. During the reporting period, implementing agencies and bilateral donors reported the phase-out of 951 tonnes ODP of ozone depleting substances. Thus far Fund-supported ozone depleting substance phase-out has been reported in the following countries: Egypt, Malaysia, the Philippines, and Turkey.

Fund Secretariat activities

37. The Secretariat is responsible for assessing and offering recommendations to the Executive Committee regarding: country programmes and implementing agency work programmes, project proposals, and progress and financial reports submitted by implementing agencies and for the Parties providing bilateral cooperation.

38. As a result of these assessments and upon requests from the Executive Committee the Secretariat has prepared several policy papers concerning issues raised pertaining to work programmes, project proposals and progress and financial reports. Following presentation of these policy analyses, the Executive Committee has taken decisions on the following issues:

- (a) Technical reviews of investment projects
- (b) Strategic options for retrofitting of mobile air conditioners and chillers
- (c) Contingency costs
- (d) Use of transitional substances as substitutes for ozone depleting substances
- (e) Projects that might realize net incremental savings
- (f) Impact on the Fund of various operational cost durations in the domestic refrigerator sector

- (g) Cost-effectiveness of ODS phase-out projects
- (h) Data collection and data reporting.

39. The Executive Committee decided at its Twelfth Meeting, to set up a project review Sub-Committee composed of representatives of Algeria (Chairman of the Sub-Committee), Argentina, Australia, France, Malaysia and the United States of America to study policy issues identified by the Fund Secretariat in connection with project proposals.

40. At the request of the Executive Committee, the Fund Secretariat is preparing an analysis of the total administrative support costs charged to the Financial Mechanism.

41. In connection with its other responsibilities, the Fund Secretariat has provided documentation, archiving, and conference services for all Executive Committee and Sub-Committee meetings. It has responded to enquiries about the Fund and liaised with Parties, implementing agencies and other bilateral and multilateral institutions.

42. The Secretariat also maintains and circulates a current inventory of projects to avoid duplication of efforts between the implementing agencies and other institutions. The Inventory of Approved Projects is available to all Parties at the annual meetings of the Parties along with the Information Kit which provides background information on the Multilateral Fund.

Review under Paragraph 8 of Article 5

43. Pursuant to decision V/11 of the Fifth Meeting of the Parties, which called on the Executive Committee to prepare a report on the situation of Parties operating under Article 5, paragraph 1, the Executive Committee established a Sub-Committee consisting of Australia (Chairman of the Sub-Committee), Brazil, Denmark, India, United States of America and Venezuela to oversee the preparation of the required report. The Sub-Committee selected a consulting firm who is undertaking the study.

Reports of the Executive Committee

44. The report of the Twelfth Meeting (UNEP/OzL.Pro/ExCom/12/37) was sent to all Parties. The report of the Thirteenth Meeting (UNEP/OzL.Pro/ExCom/13/47) is annexed to this report. The report of the Fourteenth Meeting will be made available to the Parties at their Sixth Meeting.