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

Twenty-first Meeting
Montreal, 18-20 February 1997

CONCESSIONAL LENDING

Introduction

This note is prepared to seek further guidance from the Executive Committee on how to proceed with the preparation of the report requested by the Committee in its decision 20/39(e). This decision, as well as the other decisions and actions are listed below chronologically to reflect the progress made so far on the issue.

A. A Chronology

1990: Second Meeting of the Parties

“The Multilateral Fund shall meet, on a grant or concessional basis as appropriate, and according to criteria to be decided by the Parties, the agreed incremental costs;” (UNEP/OzL.Pro/2/3 Decision II/8)

1991: Third Meeting of the Executive Committee

“Assistance for investment projects shall generally be provided in the form of grants. However, where the investment project has a short payback period (e.g., one to two years), financing may take the form of highly concessional loans. If an implementing agency believes that a highly concessional loan is appropriate for a particular project, it shall recommend this action at the next meeting of the Executive Committee. The Committee shall make the final decision on the terms of assistance.” (UNEP/OzL.Pro/ExCom/3/18/Rev.1)

1995: Sixteenth Meeting of the Executive Committee

“The World Bank should be asked to prepare a study on how to set up a concessional loans mechanism; i.e., what options were available given current implementing agencies and their procedures, what steps would be required to put the mechanism in place, and to what extent could the Bank use its resources or the resources from other sources for phase-out in Article 5 countries.” (UNEP/OzL.Pro/ExCom/16/20)

1995: Eighteenth Meeting of the Executive Committee

The Executive Committee reviewed a paper presented by the World Bank on “Concessional Lending for ODS Phase-Out” and decided:

“To request the Secretariat, together with the World Bank, and in consultation with other entities with expertise in the field, such as regional development banks, to prepare for the Twentieth Meeting of the Executive Committee a more detailed document on this issue, exploring the operational implications of applying the concepts set out in the report. This paper should include an examination of hypothetical projects, to be prepared by the World Bank, which would practically

demonstrate the implications of the application of these concepts.” (UNEP/OzL.Pro/ExCom/18/75 Decision 18/26)

1995: Seventh Meeting of the Parties

“The study by the World Bank on the establishment of a concessional loan mechanism, requested by the Executive Committee at its Sixteenth Meeting, should be completed as soon as possible, and analysed and discussed by the Executive Committee at its Nineteenth Meeting, and a decision on suitable future steps be taken by the Executive Committee by its Twentieth Meeting or by the Meeting of the Parties in 1996, as appropriate, with a view to starting the use of concessional loans by the end of 1996, to the extent that the need and demand exist.” (UNEP/OzL.Pro.7/12, Annex V, Action 10)

1996: Twentieth Meeting of the Executive Committee

The Executive Committee reviewed a joint document prepared by the Secretariat and the World bank on “Concessional Lending for ODS Phase-Out” and decided:

- “(a) to take note of the joint World Bank/Fund Secretariat document on concessional lending for ODS phase-out;
- (b) to take note of the information provided during the discussion in the Committee on the interest expressed by the Inter-American Development Bank in providing concessional loans for ODS phase-out and the possibility of mobilizing funding from other sources, including the private sector;
- (c) to note also the reservations expressed by some members of the Committee with respect to the provision of concessional loans from the Multilateral Fund;
- (d) that, in the light of the discussion at the current meeting of the Executive Committee, there was a need for a wider examination of the various possibilities of concessional lending for ODS phase-out;
- (e) to request the Secretariat and the World Bank to prepare for submission to the Executive Committee, through its Sub-Committee on Financial Matters, a further report exploring the practical options for providing concessional loans for ODS phase-out in Article 5 countries, *inter alia*, through regional development banks and the private sector.” (UNEP/OzL.Pro/ExCom/20/72, Decision 20/39)

B. Future Course of Action

The Executive Committee may want to provide further guidance on the future course of action on the subject in light of the deliberations at the Eighth Meeting of the Parties.