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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-eighth Meeting
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**INFORMATION RELEVANT TO THE DEVELOPMENT OF THE COST GUIDELINES FOR
THE PHASE-DOWN OF HFCs IN ARTICLE 5 COUNTRIES: INSTITUTIONAL
STRENGTHENING**

Background

1. At their Twenty-eighth Meeting¹, the Parties to the Montreal Protocol adopted the Kigali Amendment², and decision XXVIII/2 related to the amendment phasing down HFCs. In paragraph 20 of decision XXVIII/2 the Parties requested the Executive Committee to include the following enabling activities to be funded in relation to HFC phase-down: capacity-building and training for the handling of HFC alternatives in the servicing, manufacturing and production sectors; institutional strengthening; Article 4B licensing; reporting; demonstration projects; and development of national strategies.
2. In the context of agenda item 10 on Issues relevant to the Executive Committee arising from the Twenty-eighth Meeting of the Parties to the Montreal Protocol of the 77th meeting³, the Executive Committee discussed a note from the Secretariat aimed at seeking guidance from the Executive Committee on a way forward to address decision XXVIII/2.
3. Further to a discussion, the Executive Committee *inter alia* requested the Secretariat to prepare an agenda for the meeting based on *inter alia* a document to be prepared by the Secretariat containing preliminary information on, among others, the enabling activities required to assist Article 5 countries in commencing their reporting and regulatory activities in relation to the HFC-control measures (decision 77/59(b)(ii)).
4. The Executive Committee further invited members at the 77th meeting to share relevant information with the Secretariat no later than 31 January 2017, owing to the limited time remaining

¹ Kigali, Rwanda, 10 – 15 October 2016.

² Decision XXVIII/1, Annex I of document UNEP/OzL.Pro/28/12.

³ Montreal, Canada, 28 November – 2 December 2016.

before the end of 2016 (decision 77/59(c))⁴.

5. The Secretariat has developed the present document in response to the above elements of decision 77/59.

Scope of the document

6. Under paragraph 20 of decision XXVIII/2 the Parties included institutional strengthening (IS) as an enabling activity. In addition, under paragraph 21 of the same decision, the Parties “directed the Executive Committee to increase institutional strengthening support in light of new commitments related to HFCs under this amendment.” Considering the relevance of IS for the implementation of the Montreal Protocol, and the number of decisions adopted by the Executive Committee, a discussion of IS in the context of the Kigali Amendment and decision XXVIII/2 is presented separately in this document.

7. At the 74th meeting (May 2015), the Executive Committee considered the document on the Review of funding of institutional strengthening projects (decision 61/43(b))⁵, which set out a brief review of the history of IS funding, its linkage to other forms of institutional support and capacity building provided through project management units (PMUs) in multi-year phase-out plans, and the United Nations Environment Programmes’s (UN Environment’s) Compliance Assistance Programme (CAP).

8. In preparing the document the Secretariat took into consideration the Executive Committee's rules and policies for the funding of IS; previous documents on IS; discussions with implementing agencies regarding issues that were identified when reviewing requests for the renewal of IS projects submitted by Article 5 countries; and bilateral consultations with individual agencies dealing with IS projects. The document assessed the relevance of IS support in contributing to the achievement of Article 5 countries’ compliance with the Montreal Protocol’s control measures; and, set out the range of activities that national ozone units (NOUs) in Article 5 countries would have to undertake to achieve the HCFC control measures beyond 2015⁶.

9. Following a discussion, the Executive Committee decided, *inter alia*, to approve “all IS projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of IS funding of US \$42,500 per year, to continue support for compliance with the Montreal Protocol and to address the challenges related to the phase-out of HCFCs in line with the objectives of decision XIX/6 and the transition to alternatives that minimized environmental impact”. The Committee also decided to review IS, including funding levels, at its first meeting in 2020 (decision 74/51(c) and (d)).

10. At the 77th meeting, the Senior Monitoring and Evaluation Officer proposed an evaluation of IS projects as part of the monitoring and evaluation work programme for the year 2017⁷. During the discussion, it was stated that if, the intention of the evaluation was to look at what additional support should be provided in light of the commitment on HFCs, the Secretariat and implementing agencies should perhaps use the review from the 74th meeting to assess the additional workload and time frame, rather than conducting an additional evaluation⁸.

⁴ Information was received from the Governments of Argentina, Germany, Japan and the United States of America. However, only the Governments of Germany and Japan submitted information related to the present document. The full text of the information received from the Executive Committee members is contained in Annex II of document UNEP/OzL.Pro/ExCom/78/1/Add.1 (Annotated provisional agenda).

⁵ UNEP/OzL.Pro/ExCom/74/51.

⁶ *Ibid.*, paragraph 15.

⁷ UNEP/OzL.Pro/ExCom/77/10.

⁸ Paragraph 43 of UNEP/OzL.Pro/ExCom/77/76.

11. The present document reviews and updates the information in document UNEP/OzL.Pro/ExCom/74/51, specifically with regard to the IS activities and challenges in respect of the Kigali Amendment. Annex I to the document provides a summary of the development of rules and policies for the funding of IS projects and Annex II provides a list of the main documents on IS policy.

12. In reviewing this document, the Executive Committee might wish to consider the following information provided by Executive Committee members⁹ in response to decision 77/59(c).

Germany

13. The Government of Germany indicated that IS needs to maintain relationship with regard to the replenishment level. Since there are many similarities between the HFC and HCFC management, costs could be rationalized. Relating costs to the total consumption under implementation could be an important aspect.

Japan

14. Regarding enabling activities, the Government of Japan believes that priority should be given in particular to: (a) capacity-building and training for handling HFC alternatives in the servicing, manufacturing and production sectors; (b) IS; and (e) demonstration projects.

Amount of institutional strengthening support

15. At the 7th meeting (June 1992), the Executive Committee approved for the first time IS projects¹⁰ on the basis of document UNEP/OzL.Pro/ExCom/7/20, which gave indicative ceilings and categories of funding for IS support¹¹. At its 19th meeting (May 1996), the Executive Committee discussed funding levels for the renewal of IS projects and decided *inter alia*, that initial renewals would be at the same level of funding per year as the first approval for two years and would be conditional on a report on progress and an articulated plan of future action. Any subsequent renewal would also be for two years. Funding for institutional strengthening was increased in December 2001 by 30 per cent in order to assist Article 5 countries in implementing the Multilateral Fund strategic framework (decision 35/57), and in 2015 to address the challenges related to the phase-out of HCFCs (decision 74/51(c)). Decision 74/51(c) also increased the minimum annual funding level for institutional strengthening projects in low- and very-low-volume-consuming (LVCs, VLVCs) countries from US \$30,000 per year (decision 43/37) to US \$42,500 per year.

16. Since the 7th meeting, the Executive Committee has approved US \$123,895,821, plus agency support costs of US \$7,210,170 for IS projects, which represents less than 4 per cent of the total funds approved under the Multilateral Fund¹². The funding approved for IS support is recognized as a major

⁹ See footnote 4.

¹⁰ IS projects were approved for Chile, Jordan and Mexico.

¹¹ Category 1: large consuming countries (above 10,000 ODP tonnes - up to US \$400,000); category 2: medium consuming countries (5,000-10,000 ODP tonnes - up to US \$300,000); category 3: small consuming countries (less than 5,000 ODP tonnes - up to US \$170,000. The funding levels were indicative figures and would take into account the needs of the Parties on a case by case basis taking into account the circumstances of the country. The elements for institutional strengthening funding were office equipment, personnel and operational costs.

¹² At the 7th meeting the estimated funding requirement for a 3-year period for institutional strengthening amounted to US \$8.84 million, which was 4.42 per cent of the current size of the Fund, i.e., US \$200 million (paragraph 7, UNEP/OzL.Pro/ExCom/7/20). At the 61st and 74th meetings it was reported that the total amounts of institutional strengthening funding approved as at the date of those meetings represented less than 4 per cent of the total funds approved under the Multilateral Fund (paragraph 5, document UNEP/OzL.Pro/ExCom/61/49 and paragraph 11 of UNEP/OzL.Pro/ExCom/74/51).

contribution to the achievement of Article 5 countries' compliance with the Montreal Protocol's control measures.¹³

Institutional strengthening activities in light of the HFCs phase-down

17. In addition to the activities that NOUs in Article 5 countries would have to undertake to phase-out HCFCs and transition to alternatives that minimized environmental impact (decision 74/51(c))¹⁴, they would have to undertake the following in order to develop the institutional framework for implementation and compliance of the Kigali Amendment.

Assisting relevant authorities in the ratification of the Kigali Amendments to the Montreal Protocol

18. The NOU has to lead the administrative procedure to ratify the Kigali Amendment in coordination with stakeholders. The ratification of international agreements could be a long and complicated political process that might have to compete with other issues of national priority in the parliamentary agenda. Ratification at the national level entails an understanding of the Kigali Amendment, the analysis of the country's HFC consumption, and in some cases production, as the basis for the preparation of a plan of action for HFC phase-down. Consultation with climate and energy government departments as well as other stakeholders would be vital in order to coordinate efforts and to avoid potential contradictory positions regarding the Montreal Protocol and the United Nations Framework Convention on Climate Change (UNFCCC). Additional work would be needed as it would require an understanding of climate matters and energy-efficiency.

Legislation

19. Article 5 countries would be required to adopt and implement legislation and regulations to control and monitor HFC consumption (and production where applicable). Import/export licensing and quota systems would have to be extended to cover HFCs and when operational should be capable of ensuring the countries' compliance with the control measures for Annex F substances. Close consultation between the NOU and customs departments would be required to ensure that customs officer can assume the extra responsibilities to monitor and control the trade in HFCs.

20. While this would appear to be the standard work carried out by the NOU it would be more complex as the legislation and regulations can only be developed following a policy analysis step to map the phase down of HFCs at national level. The NOU would also require a practical understanding of climate and energy concepts such as CO₂ equivalents and energy efficiency.

Country programme (CP) and Article 7 data

21. The NOU is the focal point for collecting and reviewing CP data¹⁵ for submission to the Fund Secretariat (by 1 May each year) and Article 7 data to the Ozone Secretariat. Coordinating the collection, analysis, verification and submission of progress reports on the implementation of country programmes and data on Annex F consumption and production under Article 7 of the Montreal Protocol would present some new challenges to Article 5 countries. While the revision of the CP data and Article 7 reporting formats to include HFCs is pending, it is likely that such reporting would be more complex, not only

¹³ Paragraphs 11 to 13 of UNEP/OzL.Pro/ExCom/74/51

¹⁴ These activities are listed in paragraph 15 of document UNEP/OzL.Pro/ExCom/74/51

¹⁵ CP data reports enable the Secretariat to track the status and progress made in phasing out ODS in order to confirm the extent to which compliance has been observed or where potential non-compliance has occurred well in advanced of the submission of Article 7 data reports, and to facilitate the review of project proposals submitted by Article 5 countries.

because there are large numbers of HFCs and HFC blends, but also because the NOU would have to address new sectors.¹⁶

22. Given the additional challenges to collect and process data on HFCs, it is likely that a significant training effort in this area would be required. HFC blends would constitute the major part of HFC consumption and thus the NOU would need to have an understanding of the formulation of different HFC blends, and the global warming potential of their components in order to understand the impact on consumption, as expressed in CO₂ equivalents, in different sectors, how the country's baseline is set and to plan national HFC phase-down targets.

23. The NOU would continue to work closely with Customs officers whose role is fundamental to achieving compliance with Montreal Protocol targets through monitoring trade. The current lack of specific customs codes in the Harmonized System presents challenges with regard to the establishment of HFC licensing systems and the customs officer ability to correctly identify shipments. Once the Harmonized System is updated with codes for HFCs, their successful introduction and use would depend on additional training of customs officers.

Standards and safety

24. The NOU would play a role in further strengthening of institutional structures to ensure safe use of climate friendly but flammable and toxic alternatives to HFCs, including through the updating of safety codes and development of appropriate standards, capacity-building and the training and certification of technicians. The capacity of the NOU would need to be strengthened to liaise with national standards committees to promote the adoption of safety and energy efficiency standards for refrigeration and air-conditioning equipment that would play a key role in ensuring the manufacture and/or sales of safe energy efficient refrigeration and air-conditioning equipment.

Consultations and coordination with national agencies and industry

25. The NOU's role is to coordinate the preparation of the national HFC phase-down strategy to meet the control measures of the Kigali Amendment and to manage the financial support from the Multilateral Fund and potentially other funding entities. Similar to ODS phase-out, the HFC phase-down strategy must be integrated into national plans and would thus require close consultation with decision-makers and key actors in energy and climate ministries or departments, in addition to the standard stakeholders. This would require knowledge of the national regulations regarding energy policy, energy efficiency, labelling and standards, and the country's strategy for reducing national emissions of greenhouse gases (GHG) in order to align actions under the Kigali Amendment with the targets of not only the Montreal Protocol, but also the nationally determined contributions in respect of the Paris Agreement under the UNFCCC. In this regard it should also be noted that the concepts and reporting formats for the Montreal Protocol and UNFCCC are quite different.

26. Significant time would be needed to establish such formal linkages and to undertake consultation and coordination processes in order to coordinate efforts over several ministries and/or departments. The NOU may also have additional consultation and reporting activities related to any additional funds granted from other funding entities.

¹⁶ At the inter-agency coordination meeting the Ozone Secretariat indicated that it is developing an Article 7 reporting format that would allow countries to report amounts of pure HFCs and HFC blends in metric tonnes. The subsequent calculation of the amounts of CO₂ equivalents could be calculated programmatically and the resulting data provided to the country.

Information and public awareness

27. The NOU has a major role to play in raising public and stakeholder awareness of the Kigali Amendment, and would have additional work to acquire, produce, and disseminate specific information products or publications on HFCs, low-GWP alternatives, energy-efficiency, and so on.

Other forms of institutional support through PMU and CAP

28. The Executive Committee has also approved funding for the establishment and maintenance of PMUs¹⁷ under national or sector phase-out plans. In the context of HCFC phase-out management plans (HPMPs) in non-low volume consuming countries, the PMU is a technical unit responsible for project management and as such is a separate function distinct from the NOU. For LVC countries a distinct PMU does not normally exist and the NOU would undertake the project management of the HPMP. These observations are consistent with the earlier findings during the CFC phase-out era which described three PMU models¹⁸: a PMU is not established, particularly in some LVC countries; the NOU and PMU are constituted by the same team, with some staff paid by the phase-out plan; and PMUs are charged with implementing the phase-out plan under the supervision of or sometimes parallel to the NOU, particularly in countries with significant ODS consumption.

29. Approximately up to 5 to 10 per cent (for non-LVC countries) and up to 20 per cent (for LVC countries) of the total funding requested for an HPMP may be allocated to the establishment of the PMU, and must be justified in the project proposal as per the guidelines for national phase-out plans¹⁹.

30. In the context of supporting the country driven approach for the phase-out of ODS, the Executive Committee has provided support for capacity building at the regional and global levels. UN Environment was provided with US \$200,000 per year to support public awareness, and from 2002 onwards countries have received direct support on policy and substantive issues through the formalization of its capacity development role as the CAP. The location of CAP staff in the regions aids delivery of advice to countries and as a result CAP has facilitated information exchange and cooperation among NOUs through regional network meetings, workshops, and South-South cooperation activities. The support provided by CAP to assist countries to develop ODS legislation, establish licensing and quota systems, and prevent illegal trade are viewed as some of the most effective contributions of the CAP. At the 77th meeting the Executive Committee requested UN Environment to review the overall structure of the CAP and to consider its operations and regional structure in addressing emerging needs and new challenges, and to submit a final report of that review to the Executive Committee for consideration at its 79th meeting (decision 77/38(c)).

Secretariat's Recommendations

31. The Executive Committee may wish to note document UNEP/OzL.Pro/ExCom/78/7 on the Information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries: institutional strengthening.

¹⁷ Annex V of document UNEP/OzL.Pro/ExCom/45/46 includes a description of the roles and responsibilities of the project management unit.

¹⁸ UNEP/OzL.Pro/ExCom/56/8.

¹⁹ UNEP/OzL.Pro/ExCom/38/57/Rev.1.

Annex I**SUMMARY OF THE DEVELOPMENT OF RULES AND POLICIES FOR THE FUNDING OF INSTITUTIONAL STRENGTHENING PROJECTS**

1. At its 5th meeting (November 1991), the Executive Committee agreed that “Support for institutional strengthening within an Article 5 Party, though not explicitly contained in the guidelines on incremental costs adopted by the Parties, might, in exceptional cases, be an essential element in achieving the objectives of the Fund and the Montreal Protocol. As such, limited funding or assistance should be provided by the Fund for institutional strengthening. The level of such funding should be decided upon by the Executive Committee on the basis of a recommendation from the Secretariat taking into consideration the amount of controlled substances consumed in that country and the linkage between the institutional strengthening and specific implementation projects”²⁰.

2. At its 7th meeting (June 1992), the Executive Committee considered the document on institutional strengthening²¹, which included some indicative figures for institutional support, that would serve as guidelines for the implementing agencies, Article 5 and donor countries. The document set out three elements of institutional support for funding, namely office equipment, personnel cost and operational cost. During the discussion, some members felt that a case-by-case analysis of the institutional strengthening needs in each country was required. Although maximum amounts could be set, each country should be able to decide on the way the funds would be allocated in the light of the specific circumstances prevailing in the country. They also felt that in some countries the amounts might need to be higher than those proposed in the document. Subsequently, the Executive Committee adopted *inter alia* the following recommendations²² and approved the first funding for institutional strengthening projects:

- (a) Article 5 countries who request it be considered for support for institutional strengthening and that such considerations be made on a case-by-case basis, taking into account the peculiar circumstances influencing ODS phase-out in the country together with the funding level;
- (b) The main objective is to provide necessary resources to enable strengthen a mechanism within the country to facilitate expeditious implementation of projects for phase-out of the controlled substances, as well as ensuring liaison between the country on the one hand, and the Executive Committee, the Secretariat, and the implementing agencies on the other;
- (c) Requests for institutional strengthening should be considered as special projects subject to approval by the Executive Committee on the basis of a written request submitted by the Party. However, in order to avoid delays in providing support, the implementing agencies may review and implement such requests within their work programmes, except where the funding requested exceeds US \$500,000, and report to the Executive Committee as and when such requests are approved for implementation; and
- (d) Requests for institutional strengthening should be included in the country programme of the Party requesting such assistance. However, the requests may be submitted as a free standing project ahead of the country programme where circumstances demand.

²⁰ UNEP/OzL.Pro/ExCom/5/5/Rev.2 and paragraph 28(d) of document UNEP/OzL.Pro/ExCom/5/16

²¹ UNEP/OzL.Pro/ExCom/7/20

²² Paragraph 74 of document UNEP/OzL.Pro/ExCom/7/20

3. At its 19th meeting (May 1996), the Executive Committee adopted guidelines for renewal of institutional strengthening proposals²³ (decision 19/29). The guidelines indicated that for new institutional strengthening projects approval would be for a period of three years, while initial renewals would be at the same level of funding per year as the first approval for two years and would be conditional on a report on progress and an articulated plan of future action. Any subsequent renewal would also be for two years.

4. At its 30th meeting, the Executive Committee considered the final report of the 1999 evaluation of institutional strengthening projects²⁴ and draft follow-up action plan. In decision 30/7, the Executive Committee decided, *inter alia*:

- (b) To urge all Article 5 countries with institutional strengthening projects to ensure that:
 - (i) The National Ozone Unit (NOU) is given a clear mandate and responsibility to carry out the day-to-day work in order to prepare, coordinate and, where relevant, implement the government's activities to meet its commitments under the Montreal Protocol; this also requires access to decision-makers and enforcement agencies;
 - (ii) The NOU's position, capacities, and continuity of officers, resources and lines of command within the authority in charge of ozone issues are such that the NOU can carry out its task satisfactorily;
 - (iii) A specified high-level officer or a post within the authority is given overall responsibility for supervising the work of the NOU and ensuring that action taken is adequate to meet commitments under the Protocol;
 - (iv) Necessary support structures, such as steering committees or advisory groups are established, involving other appropriate authorities, the private sector and non-governmental organizations;
 - (v) Personnel and financial resources and equipment provided by the Multilateral Fund are fully allocated to the task of eliminating ODS consumption and production and are made available to the NOU;
 - (vi) Annual work plans for the NOU are prepared and integrated in the authorities' internal planning processes;
 - (vii) A reliable system to collect and monitor data on ozone-depleting substances imports, exports and production is established; and
 - (viii) Measures taken and problems encountered are reported to the Secretariat and/or the implementing agency in charge of the institutional strengthening project when required by the Executive Committee.
- (c) To request the Secretariat, in collaboration with interested Article 5 and non-Article 5 countries and the implementing agencies, to prepare general principles for agreements between governments and the implementing agencies on new and renewed institutional strengthening projects which incorporate the elements under (b), while recognizing that the agreements should be appropriate and adaptable to the specific situation in different countries. These principles should emphasize that action to be undertaken should be stated in general terms only in the institutional strengthening agreement;

²³ UNEP/OzL.Pro/ExCom/19/52 and Corr.1.

²⁴ UNEP/OzL.Pro/ExCom/30/6 and Corr.1.

- (d) To instruct the implementing agency in charge of the institutional strengthening project to follow up the phase-out status and problems encountered by the NOU and discuss and propose possible solutions with them;
- (e) To instruct all implementing agencies to ensure that their project proposals are based on the current strategic planning of the Article 5 country government and ensure that the NOU is fully involved in the planning and preparation of projects, regularly provide National Ozone Units with information on the progress of project implementation and assist them in improving their capacity to monitor and evaluate projects implemented and their impact at the country level;
- (f) To request the implementing agencies to define a procedure to justify reallocation of funds among the budget lines of institutional strengthening projects and report to the 31st meeting of the Executive Committee; and
- (g) To request UNEP and UNIDO to review whether quarterly progress reporting can be extended to six-month intervals and to report thereon to the 31st meeting of the Executive Committee.

5. In response to decision 30/7, the Executive Committee considered at its 32nd meeting (December 2000) a document on general principles for agreements between governments and the implementing agencies on new and renewed institutional strengthening projects²⁵. The document incorporated the elements referred to in decision 30/7 in the relevant sections of the UNEP and UNIDO agreements. Based on this document, the Executive Committee *inter alia* requested UNEP and UNIDO to move some of the elements of paragraph (b) of decision 30/7 from section 3.3, "Assumptions" to section 6.4.1, "General terms and conditions" of the revised model agreement; and the World Bank to revise the proposed amendment letter in order to ensure consistency with decision 30/7 (decision 32/15).

6. Subsequently, at its 33rd meeting (March 2001), the Executive Committee noted the proposed amendments by implementing agencies to their agreements for institutional strengthening projects, as contained in the document on general principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects (follow-up to decision 32/15)²⁶. Through decision 33/12, the Executive Committee noted with appreciation the proposals of UNEP, UNIDO and the World Bank to comply with the requirements of decisions 30/7 and 32/15, and *inter alia* requested the implementing agencies to apply those new requirements in all future agreements in this area.

7. At the 35th meeting (December 2001), during the discussion on the study on defining a starting point for determining the remaining ODS consumption eligible for funding by the Multilateral Fund (follow-up to decision 34/66 (a))²⁷, the Government of the United States of America submitted a proposal for implementing the first phase of the strategic framework adopted by the Executive Committee at its 32nd meeting²⁸. The proposal included a section on institutional strengthening projects, proposing *inter alia* that those projects and their renewals shall be approved at a level that is 30 per cent higher than the historically agreed level. This will assist countries to carry out the new strategic framework agreed, and provide increased support for critical areas such as public awareness. In addition to this direct increase in funding, UNEP will be provided with US \$200,000 per year to support public awareness, and countries will receive enhanced direct support on policy and substantive issues through UNEP's new Compliance Assistance Programme (CAP). It also noted that countries undertaking national phase-out plans were

²⁵ UNEP/OzL.Pro/ExCom/32/18.

²⁶ UNEP/OzL.Pro/ExCom/33/16.

²⁷ Agenda item 7 a, based on document UNEP/OzL.Pro/ExCom/35/61.

²⁸ UNEP/OzL.Pro/ExCom/35/CRP.1.

likely to receive institutional strengthening funding at an even higher level than that anticipated above to facilitate national project implementation, as explicitly agreed in related phase-out agreements.

8. Subsequently, in decision 35/57, the Executive Committee decided that all institutional strengthening projects and renewals shall be approved at a level that is 30 percent higher than the historically agreed level. The Executive Committee also indicated in the same decision that the 30 percent increase in the level of institutional strengthening funding “should prevail until 2005 when it should again be reviewed. This proposal would also include a clear commitment that this level of institutional strengthening [funding] or a level close to it should prevail for all Article 5 Parties until at least 2010, even if they should phase out early”. Because institutional strengthening and other non-investment activities contribute to reductions in the use of ODS, decision 35/57 also assigned to these projects a phase-out value of US \$12.10/kg. Subsequently in decision 36/7 the Executive Committee agreed that this value would not be applied to institutional strengthening activities funded in low-volume consuming (LVC) countries.

9. Decision 35/57 also noted that “in addition to this direct assistance in institutional strengthening funding, UNEP will, as agreed in 2000, be provided with US \$200,000/year to support public awareness, and countries will receive enhanced direct support on policy and substantive issues through UNEP’s new Compliance Assistance Programme. Finally it should be noted that countries undertaking national phase-out plans are likely to receive institutional strengthening funding at an even higher level than anticipated above to facilitate national project implementation, as explicitly agreed in related phase-out agreements.”

10. At its 43rd meeting (July 2004), the Executive Committee addressed the situation of very-low-volume-consuming countries²⁹ and decided to increase the minimum level of institutional strengthening funding to US \$30,000 per year provided that the country concerned had duly assigned a full-time ozone officer to manage the ozone unit and that a national licensing system controlling ODS imports was in place (decision 43/37).

11. At the 44th meeting (November-December 2004), the Government of China submitted an informal paper on enhancing the NOU capacity building in Article 5 countries in the final stages of the compliance period³⁰. The paper suggested, *inter alia*, that the Fund should increase input in non-investment activities and capacity building of Article 5 countries in the final stage of compliance period, especially in striking the illegal trade, policy formulation and enforcement, substitution technology promotion, and information management; to include in the Committee’s agenda NOUs capacity building (i.e., work of the NOU, management problems faced and ways to resolve them); and strengthening UNEP’s networks, especially its South-South cooperation activities for improving NOUs capacity.

12. The Executive Committee decided (decision 44/64) that some representatives would work on the issue intersessionally and submit a revised paper to the 45th meeting. In response to decision 44/64, the Government of China submitted a supplementary paper expanding on the proposal for enhancing Article 5 countries’ NOU capacity-building in the final stages of the Protocol compliance period³¹. With regard to institutional capacity, the paper suggested that the Committee should review upcoming compliance requirements, orientation and tasks and the adaptability of existing working procedures and operational mechanisms. Issues such as NOU capacity-building and status of work should be on the agenda of each meeting of the Executive Committee. Article 5 countries should be supported and facilitated as they further strengthen their policies and laws and regulations for compliance, so as to strengthen the capacity of their governments on compliance monitoring and management.

²⁹ UNEP/OzL.Pro/ExCom/43/49.

³⁰ Annex XX of document UNEP/OzL.Pro/ExCom/44/73.

³¹ UNEP/OzL.Pro/ExCom/45/47.

13. The Executive Committee, through decision 45/55, requested the Secretariat to expand on the paper from China and to present to the 47th meeting the preliminary results of an analysis of possible further action and policies required to assist compliance with the phase-out requirements for all the ODS covered by the Montreal Protocol, including the review of institutional strengthening projects envisaged under decision 35/57.

14. At the 47th meeting (November 2005), the Executive Committee considered the document on the preliminary results of an analysis of possible further action and policies required to assist compliance with all ODS phase-out requirements, including the review of institutional strengthening projects envisaged under decision 35/57³². The issues presented in the document fell into three categories, namely, the adequacy of current institutional strengthening and capacity-building activities to support phase-out and compliance with the Protocol control measures up to and including 2010; the potential need for institutional support to Article 5 countries after 2010; and an initial assessment of the opportunities for more efficient and effective administration of institutional strengthening project renewals. The paper provided some conclusions, including the suggestion that the institutional support measures already in place constituted an appropriate response to meeting the needs of Article 5 countries in regard to their compliance obligations under the Protocol up to and including 1 January 2010.

15. In its decision 47/49, the Executive Committee decided:

- (a) To note that in the compliance period specific measures had been taken to provide additional, and guaranteed institutional support and to re-focus the work of the Executive Committee on facilitating compliance;
- (b) To agree that the measures already taken constituted an appropriate response to meeting the needs of Article 5 countries in regard to their compliance obligations under the Montreal Protocol up to and including 1 January 2010;
- (c) To note that the anticipated actions required by Article 5 countries to meet compliance obligations after 2010 provided an indication that funding support for institutional strengthening might need to be continued after 2010;
- (d) That possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined at the end of 2007;
- (e) To explore the extent, nature and eligibility of any additional measures that might be considered for funding by the Executive Committee to address surveys, institutional measures and/or other preparatory activities for HCFC phase-out in the light of the results of the China policy study and the surveys carried out by UNDP;
- (f) To acknowledge that institutional strengthening support might need to be revised in accordance with the Executive Committee's guidelines when a country formally revised its baseline with the Parties to the Protocol; and
- (g) To request the Secretariat, in consultation with the implementing agencies, to prepare for the 49th meeting a paper examining the relative merits of replacing the current requirements for submission of requests for renewal of an institutional strengthening project with a simplified arrangement that would make use of the report on progress on implementation of country programmes, which is now provided annually by all Article 5 countries receiving support from the Multilateral Fund, together with an annual cycle of funding renewals, but with no change to the annual levels of funding provided.

³² UNEP/OzL.Pro/ExCom/47/53.

16. At the 49th meeting (July 2006), the Executive Committee considered the merits of replacing the current requirements for submissions of requests for renewal of an institutional strengthening project with a simplified arrangement³³. The document concluded that some of the key features of the current arrangements, especially those associated with financial management and accountability, might need to be retained. If those features were to remain, the existing system would need to be maintained. The Secretariat, however, would continue to look closely at the renewal process for institutional strengthening projects and might be in a position to propose some detailed improvements as part of the next review, which was due at the end of 2007. The document also proposed fine-tuning the existing arrangements for conveying the views of the Executive Committee to governments of countries whose institutional strengthening projects had been renewed.

17. In its decision 49/32, the Executive Committee decided:

- (a) To maintain for the time being the current arrangements for submission and consideration of requests for renewal of institutional strengthening projects;
- (b) To request the Secretariat to continue to examine opportunities to fine-tune the institutional strengthening renewal process and to address any additional findings in the context of the review of institutional strengthening funding post-2010, to be presented to the Executive Committee at the end of 2007 in accordance with decision 47/49; and
- (c) To request the Secretariat to draft remarks to be addressed to the governments of those countries for which there were issues that might require urgent attention in order to maintain progress with phase-out and/or compliance or, alternatively, commenting favourably on exceptional successes or specific phase-out achievements.

18. At the 53rd meeting (November 2007), the Executive Committee considered options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process³⁴. It provided a brief review of the current funding arrangements for institutional strengthening projects, explored opportunities for streamlining institutional strengthening renewal requests and proposed possible future levels of funding to support institutional strengthening projects. It concluded that support from the Multilateral Fund for institutional strengthening projects should be maintained at levels similar to current ones because the remaining activities in NOUs needed to support phase-out objectives after 2010 would be similar to those required to meet CFC phase-out goals.

19. In its decision 53/39, the Executive Committee decided:

- (a) To note that the anticipated actions required by Article 5 countries to meet compliance obligations after 2010 provided an indication that funding support for institutional strengthening would likely be needed after 2010 and that possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined taking into account paragraph (b) below, especially in light of decision XIX/6 of the Nineteenth Meeting of the Parties, which imposed new obligations with respect to an accelerated HCFC phase-out;
- (b) To request the Secretariat to review possible funding arrangements and levels for capacity building, to explore the extent, nature and eligibility of any additional measures that might be considered for funding by the Executive Committee to address activities for HCFC phase-out consistent with guidelines pertaining to institutional strengthening

³³ UNEP/OzL.Pro/ExCom/49/38.

³⁴ UNEP/OzL.Pro/ExCom/53/61.

activities to be agreed by the Executive Committee and to report to the Executive Committee by the first meeting of 2009.

20. The Executive Committee, at its 56th meeting (November 2008), considered the final report on the evaluation of institutional strengthening projects³⁵, explained that the evaluation was part of the 2008 monitoring and evaluation work programme approved by the Executive Committee at its 53rd meeting (decision 53/7). The desk study on the evaluation of institutional strengthening projects that had been presented to the 54th meeting of the Executive Committee³⁶ had identified important issues for more detailed investigation during the results of which were summarized in this report.

21. In decision 56/6, the Executive Committee decided:

- (a) To take note of the final report on the evaluation of institutional strengthening projects as presented in document UNEP/OzL.Pro/ExCom/56/8;
- (b) To request:
 - (i) The Fund Secretariat to take into account the findings of the evaluation in its review of the funding for institutional strengthening pursuant to Executive Committee decision 53/39;
 - (ii) The implementing agencies to review procedures for fund disbursement and reporting and administrative requirements with a view to minimizing project implementation delays for institutional strengthening projects while ensuring that accountability for institutional strengthening funds disbursed was maintained;
 - (iii) The Fund Secretariat, implementing agencies and the bilateral agencies, in consultation with Article 5 countries, to agree on a set of objectives, expected results and indicators, which would be incorporated into future institutional strengthening extension requests;
 - (iv) The implementing agencies to monitor implementation of institutional strengthening projects and to submit any requests for renewal up to six months in advance of expiry of the existing project in line with Executive Committee decision 19/29;
 - (v) The Fund Secretariat to review the formats for terminal reports and extension requests for institutional strengthening projects with the aim of rationalizing reporting and project review;
 - (vi) UNEP, through the Compliance Assistance Programme (CAP), to allocate time during network meetings to discuss institutional strengthening reporting and the importance of requesting renewals on time; and
 - (vii) UNEP to develop a training module on policy and technical issues related to the reduction of HCFCs, with technical inputs from the other implementing agencies, for briefings of national ozone units during network meetings.

22. At its 57th meeting (March-April 2009), the Executive Committee considered a review of the current funding arrangements for institutional strengthening³⁷, and noted that institutional strengthening

³⁵ UNEP/OzL.Pro/ExCom/56/8.

³⁶ UNEP/OzL.Pro/ExCom/54/13.

³⁷ UNEP/OzL.Pro/ExCom/57/63.

was a policy issue that was intertwined with other policy matters, for example HCFC phase-out and funding, and referred the issue to the informal group set up to discuss HCFC policy issues. The Executive Committee was of the view that future institutional strengthening funding would need to be considered as part of a package of funding that had to be agreed in the context of HCFC phase-out. Accordingly, in its decision 57/36, the Executive Committee decided:

- (a) To take note of the Secretariat's paper (document UNEP/OzL.Pro/ExCom/57/63) on review of the current funding arrangements for institutional strengthening;
- (b) To continue to fund requests for the renewal of institutional strengthening projects up to the end of December 2010 at current levels pending final resolution of the matter by the Executive Committee at its 58th meeting; and
- (c) To request the Secretariat to continue its work on objectives, indicators and formats so that the results could be applied to requests for renewal of institutional strengthening projects submitted by the countries from the beginning of 2010 onwards.

23. At its 58th meeting (July 2009), the Executive Committee considered the issue of the levels of funding for institutional strengthening projects beyond 2010³⁸. It was noted that since the adoption of decision 47/49, the Executive Committee had considered several policy papers on institutional strengthening, and that implementing agencies had submitted a number of requests for the renewal of funding for institutional strengthening projects beyond 2010 and, as a result, the Secretariat had been unable to recommend those projects for blanket approval. On this basis, the Executive Committee decided to approve institutional strengthening renewals up to 31 December 2010 (decision 58/16).

24. At the 59th meeting (November 2009) in discussing the document on the overview of issues identified during project review³⁹, the Executive Committee noted that the first HPMP submitted to the meeting, included funding in principle for institutional strengthening to be approved as part of different tranches, subject to the conditions of a performance-based agreement. The Executive Committee was asked to consider whether to accept, where requested, the inclusion of funding for institutional strengthening within the HPMP. The representative of the Secretariat recalled paragraph 3 of decision XXI/29. On this issue, the Executive Committee decided that Article 5 Parties had the flexibility to submit requests for institutional strengthening funding either as part of their HCFC phase-out management plans or separately, as they so choose (decision 59/17).

25. At its 59th meeting, the Executive Committee also considered a document on institutional strengthening: options for funding after 2010⁴⁰, and decided to extend financial support for institutional strengthening funding for Article 5 Parties beyond 2010 up to December 2011; and to allow Article 5 Parties to submit their institutional strengthening projects as stand-alone projects or within their HCFC phase-out management plans (decision 59/47).

26. At the 60th meeting (April 2010), in the context of the document on the overview of issues considered during project review⁴¹, the Executive Committee considered the policy issue raised on the funding of institutional strengthening renewals. The Committee was invited to consider extending the period of renewal of institutional strengthening projects for those approved at the 57th, 58th and 59th meetings in line with decision 59/47, and to requests for funding on top of current funding practices to account for additional responsibilities that the NOU expects to have when considering climate and ozone benefits. In its decision 60/10, the Executive Committee decided:

³⁸ UNEP/OzL.Pro/ExCom/58/48.

³⁹ UNEP/OzL.Pro/ExCom/59/11.

⁴⁰ UNEP/OzL.Pro/ExCom/59/53.

⁴¹ UNEP/OzL.Pro/ExCom/60/15.

- (a) To extend the date for funding of institutional strengthening projects approved at the 59th meeting of the Executive Committee not exceeding two years up to December 2011 in line with decision 59/47;
- (b) To request the Secretariat to prepare a document on objectives, indicators and formats pertaining to requests for the renewal of institutional strengthening projects for consideration by the Executive Committee at its 61st meeting; and
- (c) To consider the issue of the options for funding institutional strengthening projects further at the 61st meeting of the Executive Committee.

27. At its 61st meeting (July 2010), the Executive Committee considered institutional strengthening: options for funding and formats for renewal requests⁴², and decided:

- (a) To note the document on institutional strengthening: Options for funding and formats for renewal requests (UNEP/OzL.Pro/ExCom/61/49);
- (b) To maintain funding for institutional strengthening support at current levels, and to renew institutional strengthening projects for the full two-year period from the 61st meeting, taking into account decisions 59/17 and 59/47(b) that allowed Article 5 Parties to submit their institutional strengthening projects as stand-alone projects or within their HCFC phase-out management plans, and to review continued institutional strengthening funding at those levels at the first meeting of the Executive Committee in 2015; and
- (c) To approve the revised format for institutional strengthening renewals with the identified objectives and indicators attached as Annex XV to the report of the 61st meeting⁴³, and to request the bilateral and implementing agencies to use those formats for requests for renewal of institutional strengthening projects submitted to the 62nd meeting and onwards (decision 61/43).

28. At its 74th meeting (May 2015), the Executive Committee considered the document on the review of funding of institutional strengthening projects (decision 61/43(b))⁴⁴, and decided:

- (a) To note the review of funding of institutional strengthening (institutional strengthening) projects prepared in line with decision 61/43(b), as contained in document UNEP/OzL.Pro/ExCom/74/51;
- (b) To recall and reiterate the decisions adopted by the Executive Committee regarding institutional strengthening;
- (c) To approve all institutional strengthening projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of institutional strengthening funding of US \$42,500 per year, to continue support for compliance with the Montreal Protocol and to address the challenges related to the phase-out of HCFCs in line with the objectives of decision XIX/6 and the transition to alternatives that minimized environmental impact;
- (d) To review institutional strengthening, including funding levels, at the first Executive Committee meeting in 2020; and

⁴² UNEP/OzL.Pro/ExCom/61/49.

⁴³ UNEP/OzL.Pro/ExCom/61/58.

⁴⁴ UNEP/OzL.Pro/ExCom/74/51.

- (e) To continue to use the existing format for institutional strengthening renewals as approved at the 61st meeting (decision 61/43(c)) with a modification in section 10, to indicate that performance indicators should be included, as contained in Annex XIX to the present report (decision 74/51).

Annex II

MAIN DOCUMENTS ON INSTITUTIONAL STRENGTHENING

Document number	Month/Year	Title of document
UNEP/OzL.Pro/ExCom/5/5/Rev.2	November 1991	Procedure for (presentation) of country programmes and project proposals to the Executive Committee
UNEP/OzL.Pro/ExCom/7/20	June 1992	Institutional strengthening
UNEP/OzL.Pro/ExCom/19/52 & Corr.1	April 1996	Guidelines for renewal of institutional strengthening projects
UNEP/OzL.Pro/ExCom/28/15	June 1999	Institutional strengthening projects: implementation of decision 27/10
UNEP/OzL.Pro/ExCom/30/6 & Corr.1	February 2000	Final report on the 1999 evaluation of institutional strengthening projects and draft follow-up action plan
UNEP/OzL.Pro/ExCom/32/18	December 2000	General principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects (decision 30/7 (c))
UNEP/OzL.Pro/ExCom/33/16	March 2001	General principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects (follow-up to decision 32/15)
UNEP/OzL.Pro/ExCom/34/53	July 2001	Strategic planning: proposals on implementing the framework on the objective, priorities, problems, and modalities for strategic planning of the Multilateral Fund in the compliance period
UNEP/OzL.Pro/ExCom/35/61 and Corr.1	December 2001	Study on defining a starting point for determining the remaining ODS consumption eligible for funding by the Multilateral Fund: follow-up to decision 34/66(a)
UNEP/OzL.Pro/ExCom/43/49	July 2004	Potential implications of subsequently increasing the amounts approved for institutional strengthening projects (decision 42/22 (b))
UNEP/OzL.Pro/ExCom/44/CRP.1	December 2004	Enhancing Article 5 countries national ozone unit capacity building in the final stages of the compliance period to the Montreal Protocol - Proposal submitted by the Government of China
UNEP/OzL.Pro/ExCom/45/47	April 2005	Enhancing capacity-building in the national ozone units of Article 5 countries in the final stages of the Montreal Protocol compliance period (follow-up to decision 44/64)
UNEP/OzL.Pro/ExCom/47/53	November 2005	Preliminary results of an analysis of possible further action and policies required to assist compliance with all ODS phase-out requirements, including the review of institutional strengthening projects envisaged under decision 35/57 (follow-up to decision 45/55)
UNEP/OzL.Pro/ExCom/49/38	April 2006	The relative merits of replacing the current requirements for submissions of requests for renewal of an institutional strengthening project with a simplified arrangement (follow-up to decision 47/49)
UNEP/OzL.Pro/ExCom/53/61	November 2007	Paper on options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process (follow-up to decisions 47/49 and 49/32)

Document number	Month/Year	Title of document
UNEP/OzL.Pro/ExCom/54/13	April 2008	Desk study on the evaluation of institutional strengthening projects
UNEP/OzL.Pro/ExCom/56/8	November 2008	Final report on the evaluation of institutional strengthening projects
UNEP/OzL.Pro/ExCom/57/63	April 2009	Institutional strengthening beyond 2010: funding and levels (follow-up to decision 53/39)
UNEP/OzL.Pro/ExCom/58/18	July 2009	Institutional strengthening: options for funding after 2010 (follow-up to decision 53/39 and decision 57/36(b))
UNEP/OzL.Pro/ExCom/59/53	November 2009	Institutional strengthening: options for funding after 2010
UNEP/OzL.Pro/ExCom/60/15	April 2010	Overview of issues identified during project review
UNEP/OzL.Pro/ExCom/61/49	July 2010	Institutional strengthening: options for funding and formats for renewal requests
UNEP/OzL.Pro/ExCom/74/51	May 2015	Review of funding of institutional strengthening projects (decision 61/43(b))