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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fourth Meeting
Montreal, 16–20 December 2019

PAPER ON INFORMATION ON RELEVANT FUNDS AND FINANCIAL INSTITUTIONS MOBILIZING RESOURCES FOR ENERGY EFFICIENCY THAT MAY BE UTILIZED WHEN PHASING DOWN HFCS (DECISION 83/63)

Note by the Secretariat

Background

1. At their Thirtieth Meeting,[1] the Parties to the Montreal Protocol discussed Article 5-Party access to energy efficient technologies in the refrigeration, air-conditioning and heat-pump sectors, and *inter alia* requested the Executive Committee, in dialogue with the Ozone Secretariat, to liaise with other funds and financial institutions to explore mobilizing additional resources and, as appropriate, set up modalities for cooperation, such as co-funding arrangements, to maintain or enhance energy efficiency (EE) when phasing down HFCs, acknowledging that activities to assist Article 5 Parties in complying with their obligations under the Protocol would continue to be funded under the Multilateral Fund in accordance with its guidelines and decisions (paragraph 7 of decision XXX/5).

2. At its 82nd meeting, subsequent to a discussion of a summary of the Parties' deliberations relating to the report prepared by the Technology and Economic Assessment Panel (TEAP) on issues related to EE,[2] the Executive Committee *inter alia* requested the Secretariat to prepare a paper for the 83rd meeting, providing, as a first step, information on relevant funds and financial institutions mobilizing resources for EE that might be utilized when phasing down HFCs under the Multilateral Fund, including the modalities used by those institutions to provide such resources to developing countries and the feasibility of implementing agencies implementing the co-funding requests of those institutions (decision 82/83(d)). In response to the decision, the Secretariat submitted a paper[3] at the 83rd meeting.

[1] Quito, Ecuador, 5–9 November 2018
[2] UNEP/OzL.Pro/ExCom/82/65 and Add.1
[3] UNEP/OzL.Pro/ExCom/83/41

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Discussions at the 83rd meeting

3. In the ensuing discussion,[4] many Committee members said that the document was a good basis for further exploration of potential sources of external resources for improving energy efficiency that could be leveraged to enhance the future work of the Multilateral Fund when phasing down HFCs under the Kigali Amendment. There were, however, a number of issues to be considered in providing guidance to the Secretariat on approaching relevant funding mechanisms and institutions mobilizing resources for improving energy efficiency, as summarized below:

(a) It was important to firstly resolve the issue of whether the Multilateral Fund could accept external funding. It was noted that, at the 82nd meeting, the Government of the United Kingdom of Great Britain and Northern Ireland offered additional funding to be used in the area of EE; however, after expressing its appreciation to the Government and further to an extensive discussion, the Executive Committee could not arrive at a consensus on accepting this contribution. Given this, it would be time consuming to request the Secretariat to obtain further information from relevant funding mechanisms and institutions if the Committee were ultimately to decide that external funds could not be accepted. The Committee also needs to agree on the types of projects and activities for which funds from other institutions might be mobilized. Further, such funds could be used to complement funding provided by the Multilateral Fund for projects in the manufacturing sector to support technology upgrades to improve the EE of equipment and to support enabling activities to promote EE;

(b) There were many sources for financing the costs linked to EE that could be leveraged to support the work of the Multilateral Fund, which finances the incremental costs involved in the transition away from HFCs;

(c) It was relevant to keep in mind the linkages between the Paris Accord and the Kigali Amendment, with climate change adaptation and mitigation efforts featuring more prominently in policies of some Article 5 countries;

(d) It was premature to state that the Multilateral Fund should engage with all types of funding mechanisms and institutions. It might be a good idea to start by approaching the implementing agencies of the Fund that had funds available for EE, and include the bilateral agencies among the potential sources for external funding;

(e) It was important that any cooperation should fit the existing modalities and procedures of the Multilateral Fund, without being prescriptive. Arrangements for cooperation with other funding mechanisms could take the shape of memoranda of understanding, or of co-funding modalities with implementing agencies. Finalizing the cost guidelines for HFC phase-down would be essential for establishing eligible and non-eligible costs;

(f) The criteria for access to the funds should apply to all Article 5 countries without exclusion. Some members said that countries could perhaps access funds from other funding mechanisms and institutions through a set procedure involving templates designed by the Multilateral Fund. Other members suggested channelling all external funds through the Multilateral Fund, which would then distribute those funds through its customary procedure, given that the Multilateral Fund was known for its efficient management of projects and funding, that Article 5 countries were familiar with the modalities of the Fund, and that countries trusted the Fund to fulfil its obligations without fail;

[4] Paragraphs 243 to 248 of document UNEP/OzL.Pro/ExCom/83/48

(g) There was some discussion on the usefulness, for instance, of having more detailed information on: the strategies of funding mechanisms and institutions; the way they dealt with funding requests from countries; their operating structure (such as accredited agencies and national focal points in the case of the Global Environment Facility); and the way that the implementing agencies of the Fund could help facilitate countries' requests for co-financing from other funding mechanisms and institutions; and

(h) Some member suggested providing the Secretariat with a brief "consultation" document for ensuring effective communication between the Secretariat and the secretariats of other bodies in that context. The document which should be approved by all members of the Executive Committee, could provide background information on the Multilateral Fund and on the phase-down of HFC in Article 5 countries; highlight the opportunity to achieve significant additional climate benefits; convey the interest on the part of the Multilateral Fund in collaborating with other funding mechanisms and institutions; outline the projects and activities that could be carried out collaboratively; describe funding procedures and modalities; and provide examples of collaborative initiatives.

4. Following the discussions, the Executive Committee agreed to task the contact group on EE with consideration of the issues raised, in an attempt to provide guidance to the Secretariat on next steps in cooperating with other funding mechanisms and institutions to leverage external funding. Subsequently, the convener of the contact group reported that, owing to time constraints, the contact group had been unable to discuss the present matter. In light of this, the Executive Committee decided to defer to the 84th meeting consideration of the issues raised by the paper on information on relevant funds and financial institutions mobilizing resources for energy efficiency that might be utilized when phasing down HFCs (decision 83/63).

Actions at the 84th meeting

5. To facilitate the discussions at the 84th meeting pursuant to decision 83/63, the Secretariat has attached document UNEP/OzL.Pro/ExCom/83/41 to the present Note by the Secretariat.

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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-third Meeting
Montreal, 27– 31 May 2019

PAPER ON INFORMATION ON RELEVANT FUNDS AND FINANCIAL INSTITUTIONS MOBILIZING RESOURCES FOR ENERGY EFFICIENCY THAT MAY BE UTILIZED WHEN PHASING DOWN HFCS (DECISION 82/83(d))

Background

1. The Twenty-ninth Meeting of the Parties[1] *inter alia* requested the Technology and Economic Assessment Panel (TEAP) to provide an overview of the activities and funding provided by other relevant institutions, as well as definitions, criteria and methodologies used in addressing energy efficiency (EE) in the refrigeration, air-conditioning and heat-pump (RACHP) sectors in relation to maintaining and/or enhancing EE while phasing down hydrofluorocarbons (HFCs) under the Kigali Amendment to the Montreal Protocol, as well as those related to low-global warming potential (GWP) and zero-GWP hydrofluorocarbon alternatives including on different financing modalities (paragraph 2 of decision XXIX/10 on issues related to energy efficiency while phasing down HFCs).

2. At their Thirtieth Meeting,[2] the Parties to the Montreal Protocol discussed, under agenda item VIII, Article 5-Party access to energy-efficient technologies in the RACHP sectors. During the discussions,[3] several representatives said that it would be important to identify how the institutions of the Montreal Protocol could work together with other entities, such as the United Nations Framework Convention on Climate Change (UNFCCC), the various climate funds and the multilateral development banks, in accessing and delivering financial support for EE improvements. It was clear that many of those bodies had not so far included the refrigeration and air-conditioning sector in their activities.

3. Subsequently, the Parties *inter alia* requested the Executive Committee, in dialogue with the Ozone Secretariat, to liaise with other funds and financial institutions to explore mobilizing additional resources and, as appropriate, set up modalities for cooperation, such as co-funding arrangements, to maintain or enhance EE when phasing down HFCs, acknowledging that activities to assist Parties operating under paragraph 1 of Article 5 in complying with their obligations under the Montreal Protocol would continue

[1] Montreal, Canada, 20–24 November 2017
[2] Quito, Ecuador, 5–9 November 2018
[3] Paragraphs 104 to 115 of document UNEP/OzL.Pro.30/11

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to be funded under the Multilateral Fund in accordance with its guidelines and decisions (paragraph 7 of decision XXX/5).

4. At its 82nd meeting, the Executive Committee considered a document prepared by the Secretariat presenting a summary of the Parties' deliberations at the 40th Meeting of the Open-Ended Working Group (OEWG) of the Parties and the Thirtieth Meeting of the Parties to the Montreal Protocol in relation to the report by the TEAP on issues related to EE.[4]

5. Subsequent to a discussion, the Executive Committee *inter alia* requested the Secretariat to prepare a paper for consideration by the Executive Committee at its 83rd meeting, providing, as a first step, information on relevant funds and financial institutions mobilizing resources for EE that might be utilized when phasing down HFCs under the Multilateral Fund, including the modalities used by those institutions to provide such resources to developing countries and the feasibility of implementing agencies implementing the co-funding requests of those institutions (decision 82/83(d)).

6. The Secretariat has prepared the present paper in response to decision 82/83(d).

<u>Scope of the document</u>

7. In response to paragraph 2 of decision XXIX/10, the TEAP submitted to the Twenty-ninth Meeting of the Parties the TEAP decision XXIX/10 task force report ("TEAP task force report") on issues related to EE while phasing down HFCs. Chapter 3 of the report provides a comprehensive overview of the funding institutions related to EE in the RACHP sectors while phasing down HFCs. The Secretariat reviewed and extracted the information from that report that would be relevant to the discussion by the Executive Committee. In addition, the Secretariat updated or expanded the information extracted from the TEAP task force report as required, based on publicly available information.

8. The Secretariat has not formally communicated with or requested inputs from any of the funding institutions included in the present paper. There could also be other funding institutions and mechanisms at the national, regional and/or global levels that could provide funding for EE while phasing-down HFCs; further, there are other partnerships and mechanisms that are evolving to address EE in cooling directly or indirectly. Therefore, the information provided in the present paper may not be exhaustive and the paper presents a preliminary assessment and an overview of current available information.

9. The paper consists of the following sections:

(a) Summary of the findings in the TEAP task force report

(b) Funds and financial institutions for mobilizing resources for EE

(c) Modalities used by institutions for providing resources and the feasibility of implementing agencies implementing the co-funding requests of those institutions

10. The Secretariat has worked under the guidance of and mandate given by the Executive Committee on managing funds related to activities and projects for the phase-out of controlled substances. When external funding resources were made available, the Executive Committee carefully considered those cases and guided the Secretariat accordingly. The Secretariat considered that the past work of the Multilateral Fund in this area could inform the discussions of the Executive Committee on mobilizing resources for EE that might be utilized when phasing down HFCs as requested by paragraph 7 of decision XXX/5. Accordingly, the Secretariat has summarized this information in Annex I to the present document.

[4] UNEP/OzL.Pro/ExCom/82/65 and Add.1

Summary of the findings in the TEAP task force report[5]

11. The key findings of the TEAP task force report relevant to the present paper are presented below:

(a) Multilateral funds have played a key role in providing grant funding to fill gaps in public finance on climate issues; however, the majority of large multilateral climate funds operate in sectors other than RACHP, such as energy access, renewable energy transmission and other related investment projects;

(b) The global investment in EE increased by 9 per cent to US $231 billion in 2016 and buildings still dominate global EE investments accounting for 58 per cent of this total in 2016. Building envelope, heating, ventilation and air-conditioning (HVAC), lighting and appliances constituted US $68 billion, US $22 billion, US $28 billion and US $2 billion, respectively. Less than 0.1 percent of Official Development Assistance (ODA)[6] projects in 2014 and 2015 focused on cooling, indicating there is extremely low international focus on cooling relative to other development topics;

(c) Despite the low level of funding focusing on RACHP sectors, there are numerous financial resources for project implementation in the field of EE. Besides funding institutions that provide resources in the form of directed grants, there are financing institutions that provide project funding through mechanisms such as loans, green bonds or other instruments. Moreover, private capital is an additional source for companies that might be interested in financing project implementation against investment payback;

(d) Opportunities for partnerships with shared goals among different sources of funds, and options for co-financing would be important to planning for potential projects related to EE in the RACHP sector while phasing down HFCs; and

(e) To strengthen financing of the potential projects that meet Montreal Protocol targets and EE objectives in the phase-down of HFCs, there is a need to address the barriers against coordination with existing financial organizations (e.g. Global Environment Facility (GEF), Green Climate Fund (GCF), Climate Investment Fund (CIF)) with a view to having strategic focal areas introduced with earmarked financial windows/flows, and within a streamlined timeframe to achieve these objectives. Towards this, there is a need to develop appropriate liaison/coordination with the main funding institutions in order to investigate the potential for increasing the funding levels and improving the streamlining of processes that either currently do not exist or for which there are only low levels of funding being made available to the RACHP sector; and evaluate funding structures that could build on and complement the current Multilateral Fund and, if deemed appropriate, establishing rules, regulations, and governance structures for any such new funding architecture.

Funds and financial institutions for mobilising resources for energy efficiency

12. The TEAP task force report distinguished between funding, financing institutions and others, such as bilateral programmes, public and private financing, and philanthropic initiatives.

[5] Decision XXIX/10 UNEP TEAP task force report on issues related to energy efficiency while phasing down hydrofluorocarbons.

[6] ODA is defined as government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded.

13. Funding institutions are those institutions providing direct monetary support to a project based on defined criteria and application process. The funding institutions described in the TEAP task force report[7] are:

- Kigali-Cooling Efficiency Program (K-CEP)
- GEF

14. Financing institutions are considered as those providing loans for projects under typical application requirements and terms.[8] The financing institutions described in the TEAP task force report[9] are:

- GCF
- CIF
- World Bank Group (WBG)
- Regional Development Banks, including the African Development Bank (AfDB); the Asian Development Bank (ADB); the European Bank for Reconstruction and Development (EBRD); and the Inter-American Development Bank (IDB)
- European Investment Bank (EIB)
- Other European EE funding programmes, including the Global Energy Efficiency and Renewable Energy Fund (GEEREF); and Horizon 2020

15. Other institutions include national institutions and their respective implementing agencies and programmes. Among these institutions, the TEAP task force report described the following bilateral programmes:[10]

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- US Agency for International Development (USAID)
- Canadian International Development Agency (CIDA)

16. In reviewing the list of funding, financial and other institutions included in the TEAP task force report, the Secretariat noted as follows:

(a) The GEF and the GCF, together with the Multilateral Fund, are the three global institutions that have been established to address global environmental issues:

(i) The Multilateral Fund is the financial mechanism of the Montreal Protocol for the Protection of the Ozone Layer;

(ii) The GEF is the financial mechanism for the following international environmental conventions: United Nations Convention on Biological Diversity (UNCBD); Stockholm Convention on Persistent Organic Pollutants (POPs); United Nations Convention to Combat Desertification (UNCCD); UNFCCC, and Minamata Convention on Mercury; and

(iii) The GCF is the operating entity of the financial mechanism of the UNFCCC;

(b) The World Bank is one of the four implementing agencies of the Multilateral Fund. After the adoption of the Kigali Amendment, the WBG indicated that as part of its Climate Change Action Plan, it had "developed a support plan that includes ramping up our lending

[7] These institutions are described in pages 74 to 79 of the TEAP task force report.
[8] These institutions could also provide blended funding (e.g., grants, revolving funding facility)
[9] These institutions are described in pages 79 to 87 of the TEAP task force report.
[10] These institutions are described in pages 87 to 89 of the TEAP task force report.

for EE to accompany the HFC phase-down," so that its expected US $1 billion in lending by 2020 for EE in urban areas "could help support the development of high-efficiency cooling technologies that also use climate-friendly refrigerants.";

(c) Prior to the Twenty-eighth Meeting of the Parties to the Montreal Protocol, a press release issued by the White House of the United States of America on 22 September 2016[11] announced the intent of 16 donor countries (i.e., non-Article 5 Parties) to provide US $27 million in 2017 to assist Article 5 countries through fast-start support for implementation if an ambitious HFC amendment with a sufficiently early freeze date was adopted in 2016. Complementing the additional funding from donor countries, a group of 19 philanthropists announced their intent to provide US $53 million to Article 5 countries to support improvements in EE.[12] Based on the contributions by the philanthropists, the K-CEP initiative was launched in April 2017.

17. Based on the above observations, the present paper presents information on GEF, GCF, World Bank, and K-CEP. An overview based on the TEAP task force report is also presented on information relating to the other institutions.

Global Environment Facility[13]

18. The GEF is an international partnership of 183 countries, international institutions (including United Nations agencies and multilateral development banks), civil society organizations and the private sector that addresses global environmental issues. The GEF was founded in 1992 and since its inception, has provided about US $18 billion in grants and mobilized about US $93 billion in financing for more than 4,500 projects in 170 countries with investments focused on biodiversity, climate change mitigation, international waters, land degradation and forests, and chemicals and waste. However, the GEF is increasingly seeking to deliver multiple environmental benefits through integrated investments across the various dimensions of the global environment.

19. The GEF supports capacity development for the successful implementation of the international conventions for which the GEF is serving as the financial mechanism. This is primarily a domestically-driven process that defines the capacity needed in terms of people and infrastructure. Capacity development in the GEF adheres fully to the concerns and priorities expressed by the international community.

20. Within the Climate Change Mitigation area, the GEF included sustainable mitigation of the concentration of greenhouse gases (GHG) in the atmosphere. Specifically, it includes: mitigated GHG emissions; increased use of renewable energy and decreased use of fossil energy resources; improved EE; increased adoption of innovative technologies and management practices for GHG emission reduction and carbon sequestration; and conservation and enhanced carbon stocks in agriculture, forest, and other land use.

Financing modalities and potential market mechanisms

21. By the end of 2015, the GEF had invested in 1,000 climate mitigation projects, including more than 200 EE projects. The GEF had helped 46 countries to develop national plans to reduce their GHG emissions. The GEF funding of US $4.2 billion in the 1,000 climate mitigation investments generated almost 10-fold additional funding (US $38.3 billion) from other partners. The GEF successfully concluded its seventh replenishment in June 2018 at a total pledged funding of US $4.1 billion; of this, US $802 million is set

[11] https://www.whitehouse.gov/the-press-office/2016/09/22/leaders-100-countries-call-ambitious-amendment-montreal-protocol-phase.
[12] UNEP/OzL.Pro/ExCom/77/70/Rev.1
[13] www.thegef.org

aside for climate change focal area, which includes activities relating to EE that could relate to RACHP equipment.

22. There are four types of projects namely full-sized projects (FSPs) (more than US $2 million), medium-sized projects (MSPs) (up to US $2 million), enabling activities (means of fulfilling essential reports to conventions) and programmatic approaches (combination of FSPs and MSPs with a common focus to build upon or complement one another). These projects follow specific project cycles relating to approval process and time frame for project development and implementation.

23. By supporting multi-stakeholder alliances across a broad range of environmental issues, it is estimated that the GEF has leveraged US $5.2 in additional financing for every US $1 invested. The GEF has used blended finance (i.e., the synergy between development finance and private capital) to reduce risks and increase opportunities for private investors. It also helps rally partners from different sectors around an issue. Experience from the GEF has shown that GEF funding incentivizes private investors to take action on climate change.

24. Co-financing is optional for GEF enabling activities, but is required for all GEF FSPs and MSPs, and GEF programmes. GEF financing is determined on the basis of the agreed incremental cost principle. Co-financing from the private sector or project beneficiaries during implementation can be counted as confirmed co-financing, provided that the project document includes clear milestones and minimum matching funding levels.

25. A System for Transparent Allocation of Resources (STAR) is used. The GEF Secretariat allocates resources in an indicative way to its eligible countries in a replenishment period; based on strategic priorities identified in the GEF replenishment for the specific focal areas and national priorities, the funds allocated under STAR framework is utilised by individual countries. In the seventh replenishment period of the GEF, the STAR covered three focal areas: biodiversity, climate change, and land degradation. Future GEF replenishment periods may have STAR covering other focal areas and programs.

Green Climate Fund

26. The GCF is a global fund which supports the efforts of developing countries, particularly the Least Developed Countries, Small Island Developing States, African States and nations that are particularly vulnerable, to respond to the challenge of climate change.

27. The GCF is financed from a variety of sources, from the public sector (developed countries, but also from some developing countries, regions and cities) and the private sector. These resources address the mitigation and adaptation needs and priorities of developing countries through the principle of country ownership. The developing countries have a direct access modality so that national and sub-national organizations can receive funding directly beyond that of the multilateral institutions.

28. The GCF uses public investment to stimulate private finance, multiplying the effect of its initial financing by opening markets to new investments. The GCF's investments can be in the form of grants, loans, equity or guarantees. The GCF portfolio has 102 projects and programmes approved, amounting to about US $5 billion[14] to assist developing countries in their low-emission and climate-resilient development.

[14] GCF website : https://www.greenclimate.fund/what-we-do/portfolio-dashboard; 9 April 2019. Please note that this figure will change over time.

Financing modalities and potential market mechanisms

29. The GCF implements projects through partnerships with Accredited Entities (AEs), which submit a project proposal, in close consultation with national focal points, for consideration to the GCF Board.[15] Every project the GCF Board agrees to fund must be endorsed, via a no-objection letter, by the national focal point.

30. If a project is approved, the AEs are responsible for overseeing, supervising, managing and monitoring the overall GCF-approved projects and programmes. Executing Entities can also do this on behalf of AEs by channelling funds and carrying out the funded activity. AEs can also respond to Requests for Proposals (RFPs) issued by the GCF to fill current gaps and needs in climate financing. In issuing some RFPs, the GCF may accept proposals from entities which have not yet accredited, but in such a case, the non-accredited entities will have to team up with AEs when formally submitting funding proposals to the GCF.

Requests for proposals

31. The GCF has established several supporting programmes to issue RFPs, including:

(a) Micro, Small and Medium-Sized Enterprises Pilot Programme: The programme aims to support micro, small, and medium-sized enterprises in addressing mitigation and adaptation challenges;

(b) Enhancing Direct Access: The GCF has allocated US $200 million for 10 pilot funding proposals adopting Enhanced Direct Access implementation modalities; and

(c) Mobilizing Funding at Scale Pilot Programme: The GCF has allocated US $500 million for this programme to identify innovative, high-impact projects and programmes that mobilize private-sector investment in climate change activity.

32. In addition, the GCF has established a Simplified Approval Process for some small-scale projects (Concept notes) that may also be submitted for consideration. Those projects may be presented as long as the project size is up to US $10 million[16] of the total project budget, the environmental and social risks and impacts are minimal and the small-scale project is ready for scaling up to low-emission and climate-resilient development. Funding proposals are submitted to the GCF Secretariat for the review process, before consideration of their approval by the GCF Board.

33. The Fund has identified eight impact areas that deliver major mitigation and adaptation benefits. In particular, the areas of "Energy efficient buildings, cities and industries" and "Low-emission transport" are relevant to the focus of this report. For the time being, projects are prepared and submitted to the GCF Board for approval. The component projects are approved if in line with the guidelines and procedures, which are still under development.

34. The GCF Secretariat will develop a mapping document that identifies all elements related to project and programme eligibility and selection criteria included for funding proposals for the Board's consideration at its eighteenth meeting.[17] This also takes into account best practices from other multilateral funds and other approaches to address:

[15] Except UNIDO, the other implementing agencies are AEs.
[16] GCF contribution level
[17] GCF Decision B.17/10: Establishing strategic programming priorities.

(a) The development and application of an incremental cost calculation methodology and/or alternative methodologies, as appropriate;

(b) Guidance on the approach and scope for providing support to adaptation activities;

(c) A policy on co-financing; and

(d) Options for further guidance on concessionality,[18] building on related work.

35. In the GCF document on Strategic Programming for the Green Climate Fund First Replenishment ("GCF strategic programming document"), it is mentioned that one of the focus areas for GCF should be to support the development of environmentally sustainable technologies, technology transfer and collaborative research and development.[19] Two of the areas where GCF sees opportunity to contribute are working with other climate funds to scale and replicate successful investments and accelerating uptake of green investment by mainstream investors, keeping in view GCF's core value proposition of supporting country-driven transformation through catalytic investment. Further, in the GCF strategic programming document, promoting minimum energy performance in heat pumps and heating and cooling appliances as well as insulation are identified as interventions for creating an enabling environment for paradigm shift in EE.[20]

World Bank

36. The WBG is made up of five international organizations that make leveraged loans and provide assistance to developing and transition countries. Its five organizations are the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), collectively referred to as the World Bank; the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID).

37. The World Bank's (the IBRD's and IDA's) activities are focused on developing countries, in fields such as human development (e.g., education, health), agriculture and rural development (e.g., irrigation and rural services), environmental protection (e.g., pollution reduction, establishing and enforcing regulations), infrastructure (e.g., roads, urban regeneration, and electricity), large industrial construction projects, and governance (e.g., anti-corruption, development of legal institutions).

38. The WBG promoted four other steps it would take to expand its work in EE in RACHP sectors while phasing-down of HFCs:

(a) Undertake studies to identify where impacts could be the greatest – one study in Pakistan is cited where it is estimated that a transition to new refrigerants could cut power consumption from air-conditioning by 40 percent and reduce GHG emissions by 8 million tons;

[18] There is not a single definition of concessionality but this term has traditionally been used in the context of lending to governments, particularly as part of the definition of external debt accounting. The International Monetary Fund (IMF) defines concessional lending as "loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods". IMF, 2003, External Debt Statistics: Guide for Compilers and Users. Appendix III, Glossary, Washington DC. GCF/B.19/12/R.

[19] Pages 33, 35, 36 of the GCF strategic programming document, February 2019.

[20] Page 77 of the GCF strategic programming document, February 2019. Paradigm shift potential is identified and adopted as one of the investment criteria indicators.

(b) Integrate technical assistance and policy work with concessional financing;

(c) Deploy new Montreal Protocol financing to help countries;[21] and

(d) Share knowledge and practices across countries to accelerate action.

Financing modalities

39. The IBRD and IDA provide loans at preferential rates to member countries, as well as grants to other countries. Loans or grants for specific projects are often linked to wider policy changes in the sector or the country's economy as a whole. For example, a loan to improve coastal environmental management may be linked to the development of new environmental institutions at national and local levels and the implementation of new regulations to limit pollution.

Kigali-Cooling Efficiency Programme

40. K-CEP is a US $52 million philanthropic initiative launched in April 2017 with the aim of supporting Article 5 Parties to integrate improved EE into the refrigerant transition. A total of 17 foundations and individuals have pledged funds to help increase the EE of cooling in developing countries.

41. The objectives of the programme include the following:

(a) Increase the probability of achieving the overall mitigation potential of up to 50 Gt CO_2-equivalent for increased energy-efficient cooling (cumulative through 2050);

(b) Incentivize early and rapid additional action to replace inefficient, high-GWP cooling solutions;

(c) Successfully connect EE with the work of the Montreal Protocol;

(d) Build and enhance EE policy and programme awareness and stringency;

(e) Develop and enhance institutional, civil society, and market capacity for work on efficient and low-GWP cooling solutions;

(f) Contribute to sustainable development by increasing access to efficient and low-GWP cooling;

(g) Reduce the operational cost of cooling without a material rise in capital costs, where a material rise in capital costs is defined as an increase in capital costs that would make a significant change in current and projected market demand and supply for cooling solutions; and

(h) Attract and leverage additional funding, and, at the same time, complement public and private funding.

42. More than US $35 million has been committed to supporting activities including training and development of national cooling strategies; policies, standards, and programmes; and access to cooling. While the majority of K-CEP funding is being provided through grants to implementing partners working with participating Article 5 Parties' governments, approximately US $10 million has been allocated under

[21] Specific details are not available; this presumably relates to additional activities that would be undertaken under Multilateral Fund projects.

the "Finance Window" aimed to help mobilize finance for efficient clean cooling that complements global, regional and country activities supported under other windows. It seeks to demonstrate how targeted grants can unlock the additional finance needed to integrate efficiency improvements with the fluorinated greenhouse gas (F-gas) transition.[22]

43. All 127 Article 5 group 1 countries in the Kigali Amendment are eligible. K-CEP will prioritize support on the basis of emissions reduction potential, cooling market status (e.g., major producers, exporters), policy frameworks, political economy, geographical distribution, and existing initiatives. Countries can apply for support through the bilateral and implementing agencies of the Multilateral Fund of the Montreal Protocol.

44. K-CEP is working on overcoming finance barriers, which is key to advancing EE in cooling solutions; K-CEP provides funding for technical assistance, project preparation and management, and financing incremental costs of the higher EE option.[23]

Other funding and financial institutions

45. Table 1 provides an overview of the other funding and financial institutions included in the TEAP task force report, including the section of the report where they are described.

Table 1. Overview of the other funding and financial institutions

Institution*	**Overview**
Financing institutions (Section 3.3)	
Climate Investment Fund (Section 3.3.2)	The US $8 billion CIF accelerates climate action by empowering transformations in clean technology, energy access, climate resilience, and sustainable forests in developing and middle-income countries. The CIF's US $5.4 billion Clean Technology Fund (CTF) provides resources to scale up low carbon technologies with significant potential for long-term GHG emission savings. Over US $4 billion (75 per cent of CTF resources) is approved for implementation in renewable energy, EE, and clean transport.
Regional Development Banks (Section 3.3.4)	
African Development Bank (Section 3.3.4.1)	The objective of the AfDB Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. AfDB achieves this objective by mobilizing and allocating resources for investment in RMCs; and by providing policy advice and technical assistance to support development efforts. The AfDB Strategy outlines the following five priority areas to deliver its work and improve the quality of growth in Africa: infrastructure development; regional economic integration; private sector development; governance and accountability; and skills and technology.
Asian Development Bank (Section 3.3.4.2)	The ADB was conceived in the early 1960s as a financial institution. ADB assists its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development. ADB finances projects in the public sector and provides direct financial assistance to private-sector projects. To create greater synergies, ADB partners with others to finance development projects in the region (co-finance). A Facility (The Clean Energy Financing Partnership Facility) was established in April 2007 to assist member countries to improve energy security and transition to low-carbon use through cost-effective investments, particularly in technologies that result in GHG mitigation.

[22] TEAP report, 2018 and https://www.k-cep.org/
[23] Further details relating to the fund and its activities are available at https://www.k-cep.org/

Institution*	**Overview**
European Bank for Reconstruction and Development (Section 3.3.4.3)	The EBRD has a programme on EE that covers upgrades of inefficient power and heat generation equipment to best available technologies; investments in gas flaring reduction; and investments in smart grids and smart metering infrastructure. The EBRD works with Governments and agencies through technical assistance and policy dialogue to support the introduction or review of EE standards, such as building codes and the establishment of EE policy frameworks.
Inter-American Development Bank, (Section 3.3.4.4)	IDB finances large-scale wind farms, solar power systems for rural areas, biofuel facilities that co-generate electricity, and programmes to promote efficient lighting. It helps to retrofit hydroelectric facilities with more efficient turbines, ensuring that new dams and natural gas projects meet strict social and environmental standards. IDB has partnered with the GEF as an implementation partner, including in EE related projects, some in the buildings sector (the Secretariat was unable to identify these projects on the IDB website).
European Investment Bank (Section 3.3.4.5)	The EIB provides long-term finance for sound, sustainable investment projects in support of EU policy goals in Europe and beyond, through lending, blending of instruments and advisory administrative and project management capacity support to facilitate investment. The EIB activities on climate change adaptation and mitigation represented more than 25 per cent of the total financing, an amount that is expected to grow to 35 per cent by 2020. On EE matters, in 2017, EIB had projects valued at €4.8 billion that included retrofitting and expansion of existing social and urban infrastructure and services (district heating and cooling, co-generation, rehabilitation and modernization of buildings, improvement of industrial processes, and improving and upgrading the energy values of urban transport, waste and water management networks)
Other European specialized programmes (Section 3.3.6)	
Global Energy Efficiency and Renewable Energy Fund (Section 3.3.6.1)	GEEREF invests public and private-sector risk capital in specialist renewable energy and EE private equity funds developing small and medium-sized projects in emerging markets. GEEREF's funds focus on renewable energy and EE projects, which deploy proven technologies. This is a European Union (EU) funded programme.
Horizon 2020 (Section 3.3.6.2)	Horizon 2020 is the largest EU research and innovation programme, with nearly €80 billion of funding available over seven years (2014 to 2020), in addition to any private investment that this funding will attract. The work programme for "Secure, Clean and Efficient Energy" includes the area of EE for *inter alia* research and demonstration activities focusing on buildings, industry, heating and cooling, and energy-related products and services. This is an EU funded programme.
Bilateral programmes** (Section 3.4)[24]	
US Agency for International Development (Section 3.4.2)	USAID was created by executive order in 1961 to lead the US Government's international development and humanitarian efforts. USAID works in over 100 countries to "promote global health, support global stability, provide humanitarian assistance, catalyze innovation and partnership, and empower women and girls." In 2017, USAID invested US $84 million in general environmental protection, with projected GHG emissions reduced through 2030 from adopted laws, policies, regulations, or technologies related to clean energy, and mobilized US $47 million in investments for clean energy.
Canadian International Development Agency (Section 3.4.3)	CIDA is the federal Government agency responsible for administering most of Canada's official co-operation programme with developing countries and countries in transition in order to reduce poverty and to contribute to a more secure, equitable

[24] According to the Organisation for Economic Co-operation and Development (OECD) database, there are 29 countries in the Development Assistance Committee (DAC) that have provided aid amounting to US $147 billion; this includes aid for a range of development aspects including climate change. Level of aid to EE in RACHP applications would require more detailed assessment of each country's aid portfolio.

Institution*	Overview
	and prosperous world. CIDA now has a presence in over 100 countries and manages a budget of approximately CAD $2.1 billion a year. CIDA concentrates its efforts on the following priorities: basic human needs, full participation of women, infrastructure for the poor, human rights/democratic development/governance, private-sector development and the environment. In 2013, an Act folded CIDA into a Department, creating the Department of Foreign Affairs, Trade and Development, (DFATD) under the Minister of Foreign Affairs.
GIZ[25]	GIZ, the German agency for international cooperation is commissioned by the German Federal Ministry for Economic Cooperation and Development. It focuses on several areas of cooperation, including the environment and climate change. Under this area, there are two programmes: Integrated Ozone and Climate Protection, and Resource Efficient Economy, which support projects in EE. GIZ assists in the selection of environment-friendly alternatives to ODS and the conversion of production lines to environment-friendly technologies. GIZ also has a Program for Energy Efficiency in Buildings (PEEB) that finances large-scale projects for increasing EE in buildings in selected partner countries. GIZ has its own budget resources for project implementation coming from national financial resources. In addition, GIZ works with international programmes and countries, including the private sector, to leverage additional resources, following the financial partnership approach. GIZ finances specific work packages or project components where it has expertise and knowledge.[26]

(*) Section of the TEAP task force report.
(**) Since the inception of the Multilateral Fund, the following non-Article 5 countries had provided bilateral cooperation of the phase-out of controlled substances in Article 5 countries: Australia, Austria, Belgium, Canada, Czech Republic (the), Denmark, Finland, France, Germany, Hungary, Israel, Italy, Japan, Poland, Portugal, Russian Federation (the), Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

Modalities used by institutions for providing resources and feasibility of implementing agencies implementing co-funding requests

46. The institutions use modalities designed for specific project funding/financing windows. The projects need to fulfil the criteria designed under the specific funding/financing windows that are largely defined by the strategic priorities combined with funding modalities of the institutions. Funds are allocated and approved for implementation based on the assessment carried out by the respective institutions.

47. The procedures followed by the institutions may also vary with the type of funding/financing instrument and/or funding window used. For example, if a loan is provided for projects, the project funding cycle (e.g., process associated with project evaluation, administrative and legal modalities) would be different compared to grant funds provided for the project. All the funds listed in this document provide grant funding fully or partially; however, access to grant funding would depend upon the specific project activities under consideration. In the past, while implementing ODS phase-out activities, beneficiaries could have accessed additional resources from external institutions in line with their project implementation requirements including grant and non-grant instruments, with or without support from implementing agencies.

48. Based on the information available within the Secretariat, multilateral institutions like the GEF, GCF[27] and regional development banks work with the implementing agencies of the Multilateral Fund (i.e., UNDP, UNEP, UNIDO and the World Bank) on projects applicable under specific funding/financing

[25] www.giz.de
[26] Examples of GIZ-financed projects are available in the TEAP task force report.
[27] UNIDO is not an accredited entity under GCF and is in the process of working on accreditation.

windows and, where necessary, implementing agencies have secured co-funding for implementing projects. In addition, funding support is available from internal resources of the implementing agencies[28] and other institutions for complementary activities (e.g., K-CEP funding window for specific complementary activities; concessional loans from banks for project activities); the processes associated with securing and monitoring co-funding may be different for different institutions.[29] In the past, during implementation of chiller project approved at the 47th meeting, implementing agencies followed multiple approaches to secure co-funding, *inter alia* counterpart funding from beneficiaries, ODA, funding from GEF projects that had related complementary components. It is necessary to synchronise the funds flow possibly at a centralised level to ensure timely and successful implementation of projects and programmes.

49. Projects funded by the Multilateral Fund are predominantly performance-based; funded based on detailed assessment of incremental costs in line with Executive Committee decisions; have specific project outputs, and project implementation procedures including reporting conditions; have compliance targets for phasing out controlled substances; and have a penalty in case the specified consumption targets in the agreements are exceeded.[30] These elements are included in the multi-year agreements (e.g., HCFC phase-out management plans) with the countries. The projects often also include components with external sources of funding (e.g., equity funding from respective enterprises, debt funds, grants from other institutions) where additional resources are needed for implementation. While implementing projects to meet Montreal Protocol compliance targets and EE objectives in the phase-down of HFCs, funding from different sources would have to be synchronized in terms of fund flow and implementation needs, for timely achievement of these objectives at the project and programme level.

50. In order to approach institutions for additional funding or mechanisms of financing, guidance on the purpose for which the funding is proposed to be utilised (e.g., type of projects, sectors/applications, project impact) along with overall operational process associated with utilising the funds needs to be provided to the Secretariat by the Executive Committee. Based on this guidance, the Secretariat would be in a position to approach the relevant institutions, in case the Executive Committee wishes the Secretariat to do so.

Recommendations

51. The Executive Committee may wish:

(a) To note the information on relevant funds and financial institutions mobilizing resources for energy efficiency that may be utilized when phasing down HFCs contained in document UNEP/OzL.Pro/ExCom/83/41; and

(b) To provide guidance to the Secretariat on criteria for identifying institutions that it could approach for providing additional funding for maintaining and/or enhancing energy efficiency of low- or zero-global-warming potential replacement technologies of refrigeration, air-conditioning and heat-pump equipment, when phasing down HFCs.

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[28] Funding from internal resources of agencies for projects relating to phase-out of controlled substances would be largely driven by the priorities set by the respective agencies.
[29] The procedures and definition of co-funding of the respective funding institution need to be followed.
[30] Appendix 7-A of the HPMP Agreement

Annex I

THE EXPERIENCE OF THE MULTILATERAL FUND IN MANAGING CONTRIBUTIONS

1. The experience of the Multilateral Fund in managing contributions relates to:

(a) Projects that would demonstrate the feasibility of and modalities for replacing centrifugal chillers through the use of resources external to the Multilateral Fund (i.e., resource mobilization mainly provided by sources not related to the project beneficiaries);

(b) Pilot demonstration projects in the refrigeration and air-conditioning sector in order to *inter alia* maximize the climate impact of HCFC phase-out to be funded as resource mobilization activities. These projects were implemented by some of the implementing agencies securing additional financial resources outside the Multilateral Fund;

(c) Policy discussion on the establishment of a "facility" for additional income to the Multilateral Fund from loans and other sources; and

(d) Voluntary contributions to the Multilateral Fund from different sources, namely the European Commission, a group of 17 non-Article 5 Parties, and the Government of the United Kingdom of Great Britain and Northern Ireland. The Executive Committee accepted only the contributions provided by a group of 17 non-Article 5 Parties.

2. The present Annex summarizes the experience of the Multilateral Fund with managing contributions.

An overview of the Multilateral Fund

3. Article 10 of the Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol[1]) establishes a mechanism for the purposes of providing financial and technical co-operation, including the transfer of technologies, to Article 5 Parties[2] to enable their compliance with the control measures set out in Articles 2A to 2E, Article 2I and Article 2J, and any control measures in Articles 2F to 2H that are decided pursuant to paragraph 1 bis of Article 5 of the Protocol. The mechanism shall include a Multilateral Fund.[3] It may also include other means of multilateral, regional and bilateral co-operation.

4. The Multilateral Fund shall be financed by contributions from non-Article 5 Parties in convertible currency or, in certain circumstances, in kind and/or in national currency, on the basis of the United Nations scale of assessments.[4] Contributions by other Parties shall be encouraged.

[1] The Montreal Protocol is a global agreement to protect the Earth's ozone layer by phasing out the chemicals that deplete it. This phase-out plan includes both the production and consumption of ODS. The Protocol was signed in 1987 and entered into force in 1989.
[2] Parties whose annual level of consumption of CFCs and halons is less than 0.3 kilogrammes per capita.
[3] The terms of reference of the Multilateral Fund can be found in Annex IX of the report of the Fourth Meeting of the Parties to the Montreal Protocol (UNEP/OzL.Pro.4/15). These cover *inter alia* the roles of implementing agencies, budget of and contributions to the Fund, administration of the Fund's functions and financing of activities.
[4] For convenience the annual amount of contributions for each Party is based on the United Nations scale of assessment adjusted to provide that no one contribution shall exceed 22 per cent of the total.

5. The Multilateral Fund has been replenished every three years since 1994 by the Parties to the Montreal Protocol,[5] amounting to US $4.2 billion by 2020.[6] As at 7 December 2018, cash payments from pledged contributions to the Multilateral Fund amounted to US $3,479,949,330 and an additional US $167,534,781 was related to bilateral assistance provided by a number of non-Article 5 countries.

6. Projects funded by the Multilateral Fund are based on detailed assessment of incremental costs in line with Executive Committee decisions and specific implementation procedures including reporting on compliance targets for phasing out controlled substances. The projects often include external sources of funding when additional resources are needed for implementation; in these cases, funding from different sources have to be synchronized in terms of fund flow and implementation needs, for timely completion of the project.

Facility for additional income from loans and other sources

7. The following section presents a summary of the discussions held in relation to the facility for additional income from loans and other sources in the 57th, 58th, 59th and 60th meetings of the Executive Committee and the 30th meeting of the Open-ended Working Group of the Parties to the Montreal Protocol.

Discussions at the 57th meeting[7]

8. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/57/64, prepared pursuant to decision 55/2 to enable the Executive Committee to consider at its 57th meeting a facility for additional income from loans and other sources and the potential uses of those funds. He said that four potential uses were being presented: the first option would make funds available to undertake pilot projects for co-financing arrangements; the second option would be to attempt to obtain additional resources from public and private sources on either an ongoing or one-off basis; the third option built upon ongoing work in establishing relationships with other funding entities; and the fourth option would attempt to develop the facility further to enable it to seek, house and manage credits for climate change benefits or ODS destruction from global carbon markets. The last option would benefit from any structures that had been established under the first three options.

9. In the discussion, it was observed that the agencies had taken creative approaches to some of the proposed resource mobilization projects, including learning by doing, and by providing 50 per cent matching funds within the context of resource mobilization. It was suggested that the Secretariat be requested to prepare a paper for the 58th meeting that considered the legal issues, described the structural arrangements and addressed the issues of timing and cash flow, in particular with respect to the voluntary fund, co-financing and the market mechanism. It was also suggested that issues of risk to the Fund and ownership of credits would need to be considered with respect to market mechanism options and suggested that collaboration with the Global Environment Facility (GEF) Secretariat could be undertaken to explore further timing and cash flow issues associated with the option of co-financing. It was also important to await the report of the World Bank on voluntary markets.

10. Following the discussion, the Executive Committee requested the Secretariat to prepare a paper on a special funding facility within the Multilateral Fund, taking into account the views that had been expressed at the 57th meeting and to submit the revised paper to the 58th meeting (decision 57/37).

[5] As mandated by the Parties, the Technology and Economic Assessment Panel (TEAP) prepares a study analyzing relevant issues and calculates an appropriate replenishment level to finance the Fund's work over the next triennium to assist the Parties.
[6] For the 2018-2020 triennium, the Parties established a replenishment budget of US $540,000,000 (i.e., US $34,000,000 from anticipated contributions due to the Fund and other sources for the 2015-2017 triennium, and US $6,000,000 from interest accruing during the 2018–2020 triennium.
[7] Paragraphs 189 to 192 of document UNEP/OzL.Pro/ExCom 57/69

Discussions at the 58th meeting[8]

11. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/58/49, which included a discussion of possible legal, structural and administrative issues related to such a facility. He indicated that it appeared that the Multilateral Fund would not be precluded from funding other activities from additional income as long as those activities were related to ODS phase-out or considered to be agreed incremental costs. The paper also concluded that additional study by the Treasurer was needed and input from an external carbon market specialist would be useful to address those issues related to carbon credits.

12. Several members expressed support for exploring opportunities for co-financing or other arrangements to maximize benefits for the climate and the environment. One member supported the pilot initiative for a limited trial period to create a special facility to leverage environment and energy-related financing; another member suggested that modalities for co-financing with the GEF should be explored. It was generally agreed that issues related to establishing a facility should be taken up by the Meeting of the Parties because of the associated high-level policy and legal issues.

13. It was also generally agreed that an additional study in the form of a further concept paper was needed for consideration by the Executive Committee. Several members agreed that a further concept paper should explore the following elements:

- Definition of a facility (was it just an accounting line with special reporting requirements or did it have a separate personality?)
- Benefits of establishing a facility compared to soliciting voluntary contributions to the Fund itself
- Description of what activities would be eligible for assistance from a facility and how they differed from activities currently eligible for Multilateral Fund assistance
- Who would contribute to a facility and the role of extra-budgetary contributors within the Executive Committee?
- The time horizon over which a facility would be active
- How a facility would initially be capitalized
- How a facility would maintain funding over time
- Criteria for receiving funding from a facility (such as repayment of money provided by the facility)
- The potential role of carbon markets.

14. The importance of defining a facility and explaining its function was stressed. One member stated that his delegation was against the creation of any new funding entities in principle, and therefore could not support the creation of the facility. It was felt that there was a need to justify the creation of a new entity, clearly demonstrating its added value. It was noted that co-financing and additional resources were key issues with respect to what the Executive Committee would like to achieve related to climate co-benefits flowing from decision XIX/6.

15. One member emphasized that it was important to clarify the extent to which a facility might add a burden to the work and operation of the Secretariat. It was suggested that the further concept paper should expand consideration of the scope of Article 10 and other legal issues. The need to consider additional information on carbon markets and carbon credits was also mentioned.

16. Following discussions, the Executive Committee *inter alia*, requested the Secretariat:

(a) To prepare a further concept paper for the 59th meeting expanding on papers presented to date with respect to the elements raised at the 58th meeting, and in particular, highlighting

[8] Paragraphs 162 to 171 of document UNEP/OzL.Pro/ExCom 58/53

a definition of a facility and the added value of establishing a facility;

(b) To, together with the Treasurer, address the implications of optimally managing credits for climate change and other environmental benefits from the global carbon markets with a view to making that component of a facility operational; and

(c) To seek advice from external carbon market specialists on how the market might best be employed in the longer term in the context of a facility (decision 58/37).

Discussions at the 59th meeting[9]

17. The representative of the Secretariat, introducing document UNEP/OzL.Pro/ExCom/59/54, said that it defined the facility as a potential source of funding to maximize environmental benefits and as a store for funds that might accrue to the Fund from credits for energy efficiency (EE) and climate benefits. It included a discussion on the added value of using the facility rather than the Fund to finance climate benefits. The Treasurer had made a detailed assessment of the extent to which the treasury function could accommodate carbon credits and had concluded that UNEP as Treasurer would probably have to encash any credits upon receipt. It was pointed out that UNEP had, however, been innovative in accommodating the requests of the Meeting of the Parties for special treatment of contributions through the fixed-exchange-rate mechanism and promissory notes.

18. The objective of the concept presented by the representative of the World Bank's Treasury was to make more funds available earlier (scale up funding) to maximize ozone and climate benefits through donor and market mechanisms and carbon financing. A number of alternative mechanisms had been explored for the use of financial instruments for a greater global environmental impact, *inter alia*, scale up donors' contributions in the short and medium terms; use of bonds to accelerate donor funding, secured by legally binding commitments of donors over a longer period; use of financial engineering (loans through the World Bank) to translate carbon credits for immediate use.

19. The representative of UNDP gave a short presentation on a facility to develop and establish compliance carbon markets as a source for financing ODS climate benefits. He suggested that voluntary carbon markets (VCM) provided an opportunity for "learning by doing" over the short term in advance of compliance markets, however, the voluntary market was unlikely to absorb the significant supply of ODS credits. A medium-term option was the development of an ODS climate facility consisting of a donor-led fund and an accompanying oversight framework.

20. The representative of UNIDO said that his Organization had a specific mandate to link industry with energy and the environment. It had a branch dealing with climate change matters and another with chemical destruction. UNIDO was considering financial options to maximize the benefits of the ODS bank destruction projects and co-financing from UNIDO. Private sector involvement was also being sought through the producer responsibility programme.

21. The representative of Sweden introduced a discussion paper entitled "Montreal Protocol Multilateral Fund special funding facility ('SFF')". He highlighted the fact that the facility was a time-limited instrument that was to give priority to projects related to pollution prevention and abatement of the threat to stratospheric ozone and mitigating climate threats. He described its administration, the modalities of its operation, its reporting requirements and other provisions.

22. One member expressed broad support for the paper and said that it had well characterized the major features of a facility and an option to move forward. She said that the facility should have a clear scope; provide a means of accessing capital; could be initially capitalized by voluntary contributions from Parties

[9] Paragraphs 240 to 263 of document UNEP/OzL.Pro/ExCom 59/59

and other sources; absorb risks in accessing climate markets; provide an opportunity to address environmental benefits beyond those required by Article 10 of the Protocol; and serve as a means of receiving a return on investment with some premium.

23. Another member observed that the decision of the meeting of the Parties to consider a special funding facility suggested that the Committee could not on its own take a decision to create such a facility but instead required the Committee to discuss some options for its consideration. He said that it was difficult to understand how the elements of a facility would fit together on the basis of the mandate. The facility and climate impact indicators, which would provide information concerning climate benefits and the energy efficiency of equipment, were all being considered in isolation but they would have to be brought together in order to implement the mandate of decision XIX/6 paragraph 11(b). Otherwise, it was difficult to see what the facility would be doing compared with what the Multilateral Fund should be doing under decision XIX/6.

24. A member urged caution and expressed the view that using the carbon market would fundamentally change the Fund's work. The area of application of the facility should be very clearly distinct from that of the Fund. The Fund had a clear mandate to provide stable and sufficient funding in respect of HCFC phase-out. Participation in unclear carbon markets would undoubtedly be undertaken at great risk, might even lead to negative results and impact negatively on the achievements of the Fund over the past 20 years. There might be too high a level of uncertainty to allow the Fund to become involved in the carbon market. The Fund should not evolve from a funding mechanism into a banking institution geared to profit. If national ozone units were to take the lead, their own country lacked both the capability and the resources for it. There had to be further detailed study of whether such a funding facility was needed, the level of expected benefits and possible risks, as well as the policy and legal issues.

25. Several members agreed on the dangers and risks and the need to bring together issues currently being considered in isolation and said that it would be wise to follow the request from the Meeting of the Parties to observe developments. Another agreed that the Fund should not steer away from its very specific objectives and tasks, and expressed concern about the funding facility scenarios.

26. Expressing serious anxiety regarding the scaling up of available funding, one member said that highly volatile carbon markets were a hazardous place for the Multilateral Fund's resources. One member said that her delegation had always expressed reservations concerning financial mechanisms under the Kyoto Protocol, and it would have to review the situation with respect to the Montreal Protocol very carefully.

27. Following the discussion, the Executive Committee requested the Secretariat to consolidate the material presented during the meeting on the Special Funding Facility, with any additional contributions submitted by members by the end of 2009, into a single agenda item addressing both the Facility as well as any issues related to decision XIX/6 paragraph 11(b), for consideration at its 60th meeting (decision 59/48).

Discussions at the 60th meeting[10]

28. The representative of the Secretariat introduced Part II of the document[11] that addressed the special funding facility and the work done by the Executive Committee on it to-date. The document provided suggestions on how to move the process forward, in particular with respect to decision XXI/2, paragraphs 5 and 6. A representative from Switzerland introduced document UNEP/OzL.Pro/ExCom/60/Inf.2 that contained the project report for the Nordic Environment Finance Corporation (NEFCO) on the guide for

[10] Paragraphs 205 to 209 of document UNEP/OzL.Pro/ExCom 60/54
[11] UNEP/OzL.Pro/ExCom/60/50

developing greenhouse gas (GHG) emission reduction projects based on the destruction of ozone depleting substances, submitted by Switzerland.

29. Members felt additional discussion was needed to address the policy issues associated with the special funding facility and a contact group was formed. Subsequently, based on the discussions in the contact group, the Executive Committee requested the Secretariat to present the report of the Executive Committee on the special funding facility to the 30th Meeting of the OEWG, based on Annex V to document UNEP/OzL.Pro/ExCom/60/50, the "Excerpt from Report of the 59th meeting of the Executive Committee, Agenda item 12: Further Concept Paper for a Special Funding Facility for Additional Income from Loans and Other Sources (decision 58/37)" (decision 60/48).

30th meeting of the Open-ended Working Group of the Parties to the Montreal Protocol[12]

30. In response to decision 60/48, the Chief Officer presented information on the Executive Committee discussions on the possible establishment of a facility under the Multilateral Fund that would support activities outside the usual scope of Fund spending.

31. In the discussion, one representative said that there was no common understanding of the objectives of the facility and that additional discussion was necessary to provide guidance to the parties on the purpose, orientations and modalities of operation of a special facility to finance environmental benefits additional to those covered by the Multilateral Fund. Another representative said that there was no consensus on the issue, stressing that the Multilateral Fund should continue to play the leading role in funding activities under the Protocol and that other vehicles such as the special facility should not interfere with its operation. A third representative said that the proposal for the facility had received scant attention at the most recent meeting of the Committee owing to lack of time. Decision XXI/2 requested the Executive Committee to continue its deliberations on the facility and, as it would meet again before the Twenty-second Meeting of the Parties, it could report to the Parties in the context of its annual report.

32. The Working Group agreed that it would await the outcome of the Executive Committee's further deliberations and take up the issue at its thirty-first meeting if necessary.

33. Since then, the Executive Committee has had no further discussions on the special funding facility.

Resource mobilization

34. In line with Article 10 of the Multilateral Fund, the level of funding of project proposals submitted by Article 5 countries is based on agreed incremental costs. Given the limited resources that would be available under the Multilateral Fund at any given year, at its 16th meeting, the Executive Committee established cost-effectiveness thresholds as a mechanism to prioritize the approval of projects. At its 17th meeting, the Executive Committee noted that a number of project proposals with cost-effectiveness values above the cost-effectiveness threshold had been submitted for partial funding of total project costs (e.g., the enterprise only sought funding for that proportion of the incremental costs that met or approached the cost-effectiveness threshold). Accordingly, the Committee decided that partial funding should be allowed and encouraged since it was fully consistent with previous decisions to maximize the effectiveness of the Fund's resources in phasing out ODS (decision 17/10).

35. Subsequently, at its 22nd meeting, in the context of the review of the progress reports, the Executive Committee decided to request the implementing agencies to seek a commitment from the relevant enterprise(s) to provide the required counterpart funding (decision 22/63). Counterpart funding, which is usually provided by the owners of the enterprises being converted, is not only used to pay incremental costs over the cost-effectiveness thresholds, but also to cover equipment items that are not eligible, avoidable

[12] UNEP/OzL.Pro.WG.1/30/3

technological upgrades of the baseline equipment, an avoidable increase in capacity, or expansion of the existing productions lines. In all cases where counterpart funding is required, bilateral and implementing agencies fully discuss this matter with the beneficiary enterprises and request the submission of a commitment letter for counterpart funding as a pre-requisite for the approval of the project proposal by the Executive Committee.

Projects on replacing chillers through the use of resources external to the Multilateral Fund

36. At its 45th meeting, the Executive Committee requested the Secretariat to prepare a study on criteria and modalities for chiller projects that would demonstrate the feasibility of and modalities for replacing centrifugal chillers in the future, through the use of resources external to the Multilateral Fund (decision 45/4(d)).

37. In line with decision 45/4(d), at its 47th meeting, the Executive Committee approved seven project proposals for chiller demonstration projects, comprising individual country projects, regional projects, and a global project submitted by bilateral and implementing agencies. The approved project proposals suggested co-financing from a variety of sources, namely, the GEF, Carbon Financing, the Canadian International Development Agency (CIDA), the French GEF, implementing agency funding and counterpart funding.

38. At its 56th meeting, the Executive Committee considered a progress report on the implementation of the chiller projects submitted by bilateral and implementing agencies.[13] The progress report indicated a number of different approaches for co-financing, *inter alia*:

(a) Counterpart funding by the owners or users of chillers, for projects in Eastern Europe and in the Syrian Arab Republic;

(b) Climate-oriented Official Development Assistance (ODA) including bilateral ODA (France, Canada) for projects in Cuba and Africa;

(c) GEF for projects in South America and the global chiller project; and

(d) Third-party private sector funds through the selling of emission rights in carbon markets (i.e., Clean Development Mechanism (CDM)), for the global chiller project; or through monitoring savings incurred by the reduced need for investment in electricity infrastructure (electrical utility affiliates) for projects in Brazil and Colombia.

39. The progress report made the following observations:

(a) The time required to secure co-financing varied. ODA funds were available between three months and two years after project approval, while all GEF funding was advanced but final endorsement was still pending after 36 months. Private-sector funds could be secured in about 16 months. Approval of a related globally applicable CDM methodology took about 30 months, and created the potential for carbon market funding from verified energy savings in the future;

(b) Counterpart and ODA grant co-financing options might be considered where quick results are needed, i.e., three to four years up to project completion. In case of widespread use, the aggregated global need for such funds might be significantly larger than their availability under bilateral ODA;

[13] UNEP/OzL.Pro/ExCom/56/11/Add.1

(c) Innovative funding arrangements (ODA plus private sector and/or carbon funding) possess superior leveraging capacity, in particular where projects create tangible benefits for the co-financing entities. The availability of these funds is limited by the value of additional benefits the project can generate. If repeated for other objectives, the Multilateral Fund could either seek a convergence between the Fund's objectives and those of potential co-financing entities, or take the objectives of those entities into account during project preparation and review;

(d) The time needed to prepare projects with innovative funding arrangements includes the time for principal set-up (approval of CDM methodology, developing a financial guarantee system). Once the principal set-up has been developed, co-financing from the private sector in combination with bilateral ODA might lead to a span of four to six years up to project completion; and

(e) For GEF funding, efforts to minimize the time needed for project prioritization would be meaningful, but realistically might prove difficult beyond a certain point. The relative urgency of Multilateral Fund projects to meet short-term compliance objectives presently does not fit with the dual, step-by-step process of national prioritization ("Resource Allocation Framework") and the GEF project cycle. With the present arrangement, a six-to-eight-year time horizon up to project completion appears realistic.

40. Table 1 summarizes the trends observed for the three co-financing options for the chillers projects.

Table 1. Trends observed for the three co-financing options for the chillers projects

Description	**Co-financing source**		
	Counterpart funding (Eastern Europe, Syrian Arab Republic)	**Standard ODA grant (Cuba, Africa, the Caribbean)**	**Innovative funding (Brazil, Colombia, Global project)**
Potential for replication without additional fund investment Low: No inherent replication or activities to support replication Moderate: Includes activities to support replication High: Replication is inherent	Low	Moderate (in some cases) / Low	High
Funds leveraged as a percentage of total funding Low: Less than 35 per cent Moderate: 35 - 65 per cent High: More than 65 per cent	Low	Moderate/Low	High
Rapidity of securing funds after project approval Low: More than 24 months Moderate: 12 – 24 months High: Less than 12 months	Moderate	Moderate/High	Moderate/Low
Operational achievement in terms of chillers replaced/in the process of being replaced Low: less than 35 per cent Moderate: 35– 65 per cent High: more than 65 per cent	High	Moderate	Low

41. Further review of all the progress reports on the chillers projects submitted to the Executive Committee highlighted the following observations:

(a) Speed in implementation is highest in the case of counterpart funding and grants. Innovative funding, including GEF support, has taken significantly more time. The project cycle timeframe varies from three to four years to six to eight years depending on the source of co-financing;

(b) In terms of funds leveraged, counterpart funding gives the lowest amount of leveraging while moderately high levels of funding are obtained from bilateral agencies. Co-financing from GEF supplemented with co-financing generated through profit-based incentives for third-party beneficiaries has superior leveraging capacity;

(c) Because of short processing times and relatively quick on-the-ground results, the counterpart funding and ODA grant co-financing options lend themselves more easily to situations where early results are needed. Innovative funding arrangements take considerably longer to secure co-financing; they could also be subject to changes in policies and procedures adopted by their governing bodies; and

(d) Funds available from other mechanisms, if not directly managed by the Multilateral Fund, could have specific procedures and policies taken by the governing bodies of those funds and may not be aligned with the Multilateral Fund project cycle and policies. Furthermore, the governing bodies could change policies and procedures at different points in time, which might affect project implementation cycle. Experience in the chiller project shows such instances significantly delaying project implementation.

<u>Projects for demonstrating resource mobilization</u>

42. At the 62nd meeting, UNDP, UNIDO and the World Bank submitted stand-alone projects for resource mobilization for climate co-benefits beyond those that could be secured through HCFC phase-out alone. The Executive Committee decided to consider the projects at the 63rd meeting in light of any additional information provided by the implementing agencies. Subsequently, at the 63rd meeting, the four implementing agencies submitted requests for projects for resource mobilization which were approved by the Executive Committee (i.e., UNDP (US $200,000), UNEP (US $100,000), UNIDO (US $200,000) and the World Bank (US $180,000)).

43. Table 2 presents a summary of the results achieved from the implementation of the four project proposals.

Table 2. Funds approved for resource mobilization

Agency	Project proposal and results
UNDP	<u>Proposal</u>: Preparation of four pilot demonstration projects in the refrigeration and air-conditioning manufacturing sector to examine technical intervention to improve EE, national policy and regulatory measures to sustain such intervention in order to maximize the climate impact of HCFC phase-out, to be funded as resource mobilization activities (decision 63/20) <u>Results</u>: • Public financing is critical to removing barriers to climate technologies and attracting direct investment, and the Multilateral Fund and the GEF, as well as bilateral donors have an important role to play. The resource mobilization funding provided by the Fund allowed UNDP access to other sources of funds to prepare the above-mentioned projects which would not have been possible otherwise • The project cycles of potential partners (i.e. GEF) and the Multilateral Fund may need to be synchronized in order to provide more efficient assistance, avoid delays and encourage country participation • The approach used in developing the Indonesia project may be successfully replicated in other countries when harmonized project cycles are agreed • It is important to increase the understanding on the part of the decision-making bodies of the

Agency	Project proposal and results
	Multilateral Fund, the GEF and other potential partners regarding the common objectives of the projects being proposed and their expected results (i.e. HCFC phase-out management plan (HPMP) and additional EE gains) to encourage faster approval • The experience with the Climate and Clean Air Coalition (CCAC), which resulted in a feasibility study for Maldives, could result in a demonstration project that may be applied to other countries, especially Small Island Developing States, and promote innovative technology choices such as district cooling • The main challenge in encouraging and promoting synergies among different funding mechanisms lies in simplifying complex arrangements to ensure that funding is made available on time for the country/company to make the necessary technology changes and achieve compliance without unnecessary delays. It may be possible to generate a replicable model if these barriers are removed at the institutional level • Bilateral assistance has proven to be a faster and more reliable source of funding, with minor interventions from external bodies and their decisions. The limitation would be how to ensure replication at a larger scale, taking into account the possibly limited resources of potential bilateral partners, as well as their internal processes.
UNEP	Proposal: Study on financing options, regional workshops on co-financing, and/or one or more pilot applications of co-financing for one or more low-volume-consuming (LVC) countries with an approved HCFC phase-out management plan, to be funded as resource mobilization activities (decision 63/22) Results: • UNEP provided the final report through the submission of the document Financing options to address climate co-benefits for HCFC phase-out in LVC countries with HCFC consumption only in the servicing sector • The UNEP report provides guidance for Ozone Officers on how to seek financing outside of the Multilateral Fund to achieve climate co-benefits linked to their HPMPs. The report contains information on the situation of LVC countries, a section on low-global-warming potential (GWP) alternatives to HCFCs particularly for the servicing sector, a description of key sources of financial support for climate co-benefits that may be available, and concludes with a step-by-step guide for an Ozone Officer seeking to take advantage of climate co-benefits during HCFC phase-out • The report highlights unique challenges faced by LVC countries in light of their size and market structure and provides overall process-level guidance to Ozone Officers for taking advantage of climate co-benefit
UNIDO	Proposal: Preparation of two project proposals for possible co-financing for HCFC activities, to be funded as resource mobilization activities (decision 63/23) Results: • UNIDO identified the Gambia, Morocco and Viet Nam for projects in the fishery and food processing sectors. The project concept included three main components required to promote the development of a market for low-GWP refrigerants in industrial refrigeration (the Gambia) and cold storage sector (Viet Nam); the project for Morocco envisaged the demonstration of a cascade system of CO_2 and HFO-1234ze to eliminate the use of ODS, reduce GHG emissions and improve EE for deep-sea fishing vessels • UNIDO provided detailed information on the additionality of the projects proposed; transparency and good governance; avoiding perverse incentives for countries; possibilities of profit-sharing, including return of funds to the Multilateral Fund; ensuring the sustainability of the projects proposed; avoiding duplication of similar projects; and transaction costs • UNIDO also provided lessons learned focusing in particular on the regional African chiller project, which had similarities to the countries currently targeted for the resource mobilization efforts: Different financial mechanisms were established for the various participating countries mainly because a number of beneficiary countries did not have the financial means to provide the up-front payments required for new chillers; a similar approach could be applied for projects replacing HCFC-based systems; the project in the Gambia would explore the use of a revolving fund, while that for Viet Nam would consider the use of soft loans; the project had provided valuable experience in building trust between stakeholders

Agency	Project proposal and results
World Bank	Proposal: Study focus solely on monetizing carbon credits, to be funded as a resource mobilization activity (decision 63/24) Results: • An analysis of the impacts and benefits of HCFC phase-out showed that savings related to electricity, whether at the individual consumer level or from reduced or avoided generation capacity at the country level, is a dominant factor in making the decision to include energy considerations in the phase-out of HCFCs • There are a number of sources of financing that address the energy-efficiency gains of HCFC phase-out, but challenges arise with respect to timing, approach, and implementation • Bringing together multi-source financing increases the transaction costs associated with these activities • Strategic planning and sectoral coordination at the country level are crucial to ensure that policies are aligned and opportunities to leverage financing are optimized • There is scope for inclusion of Montreal Protocol-related activities in energy-related activities under the World Bank's investments on clean energy • The study provided information on "cross-cutting elements" that need to be considered in pursuing options for broad financing packages such as: the additionality of the projects proposed; transparency and good governance; assurance that the projects would avoid perverse incentives for countries; exploring possibilities of profit-sharing, including return of funds; ensuring sustainability of the projects proposed; avoidance of duplication of similar projects; and information on transaction costs • The World Bank provided a review of its experiences with the multi-sector financing approach used in the chiller projects that they had implemented: the principal barrier was the high opportunity cost of access to up-front financing for the investment; project boundaries must be clearly defined against goals and objectives at the time of project design to generate maximum project impact; the policies and objectives of funding institutions need to be harmonized to avoid issues related to opposing views with respect to commercial availability, cost-effectiveness and suitability, including safety considerations linked to alternatives, which create barriers associated with the use of less proven alternative refrigerants

Voluntary contributions to the Multilateral Fund from different sources

44. From the 70th meeting, voluntary contributions to the Multilateral Fund have been offered by the European Commission, a group of 17 non-Article 5 countries and the Government of the United Kingdom of Great Britain and Northern Ireland.

Voluntary contributions from the European Commission

45. At its 70th meeting,[14] the Executive Committee considered a letter from the European Commission concerning its plan to make a voluntary contribution of €3 million to the Multilateral Fund to help maximize the climate benefits from HCFC phase-out.

46. During the discussions, several members said that further discussions were needed within the Executive Committee and the Meeting of the Parties on the meaning and scope of "maximizing climate benefits", and the mandate of those bodies to take action on that issue, before a decision could be reached on how to utilize the voluntary funding.

47. Several members expressed reservations as to the conditional nature of the voluntary contribution, whereby the funding would be directed towards a specific group of countries, which was not consistent with the operation of the Multilateral Fund. Despite the recognition by most members that the additional funding had potential benefits, concerns regarding the conditions of the offer, the offer's consistency with the policies and provisions of the Montreal Protocol (particularly Article 10 on the financial mechanism, and decision XIX/6), the timing of the offer in relation to the Twenty-fifth Meeting of the Parties, and the

[14] UNEP/OzL.Pro/ExCom/70/2

implications of precedent-setting led to a lack of consensus, and further deliberation on the issue was deferred to a future meeting.

Voluntary contribution from a group of 17 non-Article 5 Parties

48. At its 77th meeting, the Executive Committee considered a note by the Secretariat,[15] which included *inter alia* information on the intent of 17 non-Article 5 Parties[16] to provide US $27 million in 2017 to assist Article 5 countries through fast-start support for implementation if an ambitious HFC amendment with a sufficiently early freeze date was adopted in 2016. This contribution would be one-time, and would not replace donor contributions going forward.

49. During the discussions, it was noted that the modalities related to the contributions could be decided through bilateral discussions between the donor countries and the Treasurer, given variations in the financing mechanisms applied by different countries, which would necessitate a customized approach. Priority areas identified included EE and the refrigeration and air-conditioning sector.

50. Following discussions in a contact group, the Committee accepted, with appreciation, the additional contributions, noting that such funding was one-time in nature and would not displace donor contributions; such contributions should be made available for Article 5 countries that had an HFC consumption baseline year between 2020 and 2022 and that had formally indicated their intent to ratify the Kigali Amendment and take on early HFC phase-down obligations in order to support their enabling activities. The Committee also requested the Secretariat to develop a document describing possible procedures for countries in accessing the additional contributions, and the Treasurer to communicate with contributing non-Article 5 countries on procedures for making the additional contributions available to the Fund (decision 77/59(d)).

51. Since accepting the additional contributions by the group of non-Article 5 countries,[17] the Executive Committee has considered at each meeting a report by the Treasurer on the status of additional contributions to the Multilateral Fund.[18] At the 78th meeting, the Treasurer informed the Executive Committee that, in consultation with the Secretariat, it had developed two modalities for receiving the additional contribution from each Government, either through an agreement between each Government and UNEP as the Treasurer, or through a letter of intent from the Government to UNEP.

52. As of the end of the 82nd meeting, the Treasurer had received US $25,513,071, representing the total additional voluntary contributions from the group of 17 non-Article 5 countries. Of this amount, the Executive Committee has disbursed US $25,403,180 for enabling activities in 116 Article 5 countries, the preparation of HFC phase-out projects in eight Article 5 countries, and investment projects in five Article 5 countries.

53. Given that the Executive Committee, in accepting the additional contributions announced by a number of non-Article 5 Parties, noted that such funding was one-time in nature and would not displace donor contributions, the Treasurer kept such contributions separate from the pledged contributions from non-Article 5 countries. Similarly, annual progress reports and business plans submitted by bilateral and implementing agencies separated the projects and activities funded from the voluntary contributions, from the projects and activities approved from pledged contributions.

[15] UNEP/OzL.Pro/ExCom/77/70/Rev.1
[16] Subsequently, an additional non-Article 5 country agreed to provide additional contributions to the Fund.
[17] The 17 non-Article 5 countries are: Australia, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands (the), New Zealand, Norway, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland, and the United States of America.
[18] UNEP/OzL.Pro/ExCom/78/3 and Corr.1; UNEP/OzL.Pro/ExCom/79/44 and Corr.1; UNEP/OzL.Pro/ExCom/80/53; UNEP/OzL.Pro/ExCom/81/5; UNEP/OzL.Pro/ExCom/82/5. The report for the 83rd meeting is contained in document UNEP/OzL.Pro/ExCom/83/5.

Voluntary contribution from the Government of the United Kingdom of Great Britain and Northern Ireland

54. At its 81st meeting, the Executive Committee considered a letter from the Government of the United Kingdom of Great Britain and Northern Ireland[19] offering an additional voluntary contribution to the Multilateral Fund to be used to demonstrate how decision XXX/5, particularly paragraph 7, could be operationalized.

55. Many members expressed their appreciation for the generous contribution from the Government in support of work in the area of EE, and some also expressed concern about the short time to consider the proposal. Questions remained regarding how the funds would be used and operationalized and what conditions were attached to how the funds would be used.

56. It was noted that the Committee was required to take a decision on the matter at the 81st meeting, as the funds had to be transferred before the end of 2018. Several members urged acceptance of the contribution from the Government. One member, however, while reiterating appreciation and support for the initiative, said that due to concerns over the late provision of information about this offer to the Committee only a few days before the start of the meeting, more time would be needed for the delegation to consider the offer and the associated legal and policy implications.

57. Questions were raised regarding the possibility of accepting the contribution on a provisional basis, and whether the mechanism that had been used to accept the additional voluntary contributions received from a group of donor countries to finance activities for the implementation of the HFC phase-down could apply in the present situation. Asked to provide clarifications, the Treasurer said that the contribution could be received and recognized as deferred income, to be used only upon guidance from a specific decision by the Executive Committee. In the case of the additional voluntary contributions for the HFC phase-down, two types of instruments had been used to receive the funds: agreements with donors and letters of intent from donors. Most of those instruments had since expired and a new decision by of the Executive Committee would be needed in order to receive the new contribution.

58. On the basis of the information provided by the Treasurer, several members expressed strong support for the provisional acceptance of the contribution. One member, recalling paragraph 7 of decision XXX/5, said that rejecting the offer could have legal implications, in addition to setting a precedent and jeopardizing the implementation of the Kigali Amendment. Another member, pointing out that the main issue was a lack of time, said that acceptance should be considered on an exceptional basis only and should not set a precedent.

59. Following additional informal discussions, the Executive Committee took note of the offer of a voluntary contribution from the Government of the United Kingdom of Great Britain and Northern Ireland.

[19] UNEP/OzL.Pro/ExCom/82/Inf.3