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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-seventh Meeting  
Montreal, 28 June-2 July 2021<sup>1</sup>

**REVIEW OF INSTITUTIONAL STRENGTHENING PROJECTS INCLUDING FUNDING  
LEVELS (DECISION 74/51(d))**

**Background**

1. At its 7<sup>th</sup> meeting (June 1992), the Executive Committee approved for the first time institutional strengthening (IS) projects<sup>2</sup> on the basis of document UNEP/OzL.Pro/ExCom/7/20, "Institutional strengthening", which gave indicative ceilings and categories of funding for IS support.<sup>3</sup>
2. Since then, the Executive Committee has discussed matters related to the funding of IS projects in a timely manner, mainly when additional compliance commitments under the Montreal Protocol were agreed by the Parties. Specifically:
  - (a) At its 19<sup>th</sup> meeting (May 1996), the Executive Committee discussed funding levels for the renewal of IS projects, as the IS projects approved for several Article 5 countries had been completed, and decided *inter alia* that initial renewals would be at the same level of funding per year as the first approval for two years and would be conditional on a report on progress and an articulated plan of future action; any subsequent renewal would also be for two years (decision 19/29);
  - (b) At its 35<sup>th</sup> meeting (December 2001), in the context of a discussion of a conference room paper "Proposal for implementing the first phase of the strategic framework adopted by the Executive Committee at its 32<sup>nd</sup> meeting",<sup>4</sup> the Executive Committee decided *inter alia*

<sup>1</sup> Online meetings and an intersessional approval process will be held in June and July 2021 due to coronavirus disease (COVID-19)

<sup>2</sup> IS projects were approved for Chile, Jordan and Mexico.

<sup>3</sup> Category 1: large-consuming countries (above 10,000 ODP tonnes - up to US \$400,000); category 2: medium-consuming countries (5,000-10,000 ODP tonnes - up to US \$300,000); category 3: small-consuming countries (less than 5,000 ODP tonnes - up to US \$170,000). The funding levels were indicative and would take into account Parties' needs and circumstances on a case-by-case. The elements for IS funding were office equipment, personnel costs and operational costs. Funding was approved for a three-year period.

<sup>4</sup> Discussion is contained in paragraphs 100 to 111 of document UNEP/OzL.Pro/ExCom/35/67

that all IS projects and renewals should be approved at a level 30 per cent higher than the historically agreed level, to help countries carry out the new Multilateral Fund strategic framework, and to provide increased support for critical areas such as public awareness (decision 35/57);

- (c) At its 59<sup>th</sup> meeting, the Executive Committee decided to extend financial support for IS funding for Article 5 Parties beyond 2010 up to December 2011; and to allow Article 5 Parties to submit their IS projects as stand-alone projects or within their HPMPs (decision 59/47);
- (d) At its 61<sup>st</sup> meeting (July 2010), the Executive Committee decided to maintain funding for IS support at existing levels, to renew IS projects for the full two-year period from the 61<sup>st</sup> meeting,<sup>5</sup> and to review continued IS funding at those levels at the first meeting in 2015 (decision 61/43(b)); and
- (e) At its 74<sup>th</sup> meeting (May 2015), the Executive Committee considered document UNEP/OzL.Pro/ExCom/74/51, “Review of funding of institutional strengthening projects (decision 61/43(b))<sup>6</sup>” and *inter alia*,
  - (i) Approved all IS projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of IS funding of US \$42,500 per year, to continue support for compliance with the Montreal Protocol and to address the challenges related to the phase-out of HCFCs in line with the objectives of decision XIX/6 and the transition to alternatives that minimize environmental impact;
  - (ii) Decided to review IS, including funding levels, at the first Executive Committee meeting in 2020;<sup>7</sup> and
  - (iii) Decided to continue to use the existing format for IS renewals as approved at the 61<sup>st</sup> meeting (decision 61/43(c)) with a modification in section 10, to indicate that performance indicators should be included (decision 74/51(c), (d) and (e)).

3. The Secretariat has prepared the present document in response to decision 74/51(d)(ii).<sup>8</sup>

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<sup>5</sup> Article 5 Parties were allowed to submit their IS projects as stand-alone projects or within their HCFC phase-out management plans (HPMPs), in line with decisions 59/17 and 59/47(b).

<sup>6</sup> The document set out a review of the history of IS funding; it assessed the relevance of IS support in contributing to the achievement of Article 5 countries’ compliance with the Montreal Protocol, and set out the range of activities that national ozone units (NOUs) would have to undertake to achieve compliance with HCFC control measures beyond 2015; and its linkage to other forms of institutional support and capacity-building provided through project management units (PMUs), and UNEP’s Compliance Assistance Programme (CAP).

<sup>7</sup> In light of the COVID-19 pandemic, the Executive Committee agreed to postpone its 85<sup>th</sup> meeting, originally scheduled from 25 to 29 May 2020, and to hold it back-to-back with the 86<sup>th</sup> meeting in November 2020. In order to ensure continuity of compliance-related activities in Article 5 countries, and to reduce its workload when convened, the Executive Committee decided to implement an intersessional approval process for projects and activities that were to be submitted to the 85<sup>th</sup> meeting; agenda items that were not considered intersessionally would be included in the agenda of the 86<sup>th</sup> meeting. Given the evolution of the pandemic, the Executive Committee further deferred both meetings.

<sup>8</sup> The present document was submitted to the 86<sup>th</sup> meeting; consideration of the document was deferred to the 87<sup>th</sup> meeting in accordance with the agreed procedures for conducting the 86<sup>th</sup> meetings in light of the COVID-19 pandemic.

Matters related to IS subsequent to the 74<sup>th</sup> meeting

4. Since the 74<sup>th</sup> meeting, the Parties to the Montreal Protocol and the Executive Committee have had several discussions and have adopted decisions linked directly to IS projects, as summarized below.

5. At their Twenty-eighth Meeting (October 2016), the Parties adopted the Kigali Amendment,<sup>9</sup> and decision XXVIII/2 related to the amendment phasing down HFCs. With regard to IS, decision XXVIII/2 requested the Executive Committee:

- (a) To include the following enabling activities to be funded in relation to HFC phase-down: capacity-building and training for the handling of HFC alternatives in the servicing, manufacturing and production sectors; IS; Article 4B licensing; reporting; demonstration projects; and development of national strategies (paragraph 20); and
- (b) To increase IS support in light of new commitments related to HFCs (paragraph 21).

6. As a result of the adoption of the Kigali Amendment, at the 77<sup>th</sup> meeting (November/December 2016), the Secretariat sought guidance from the Executive Committee on a way forward to address decision XXVIII/2<sup>10</sup>, noting that at its 74<sup>th</sup> meeting, the Executive Committee had already decided to review IS projects including levels of funding. Further to a discussion,<sup>11</sup> the Committee *inter alia* requested the Secretariat to prepare a document containing preliminary information in response to the elements in decision XXVIII/2 that requested the Executive Committee to take action, and addressing among other issues the enabling activities required to assist Article 5 countries in commencing their reporting and regulatory activities in relation to the HFC control measures (decision 77/59(b)(ii)).

7. In response to decision 77/59(b)(ii), at its 78<sup>th</sup> meeting (April 2017), the Executive Committee considered the following two documents:

- (a) UNEP/OzL.Pro/ExCom/78/6, “Information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries: enabling activities”, which reviewed the decisions and guidelines adopted by the Parties and the Executive Committee relevant to the enabling activities listed in paragraph 20 of decision XXVIII/2, except for IS; and
- (b) UNEP/OzL.Pro/ExCom/78/7, “Information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries: institutional strengthening”, which reviewed matters related to IS separately from the other enabling activities, considering the relevance of IS for the implementation of the Montreal Protocol, and the number of decisions adopted by the Executive Committee.

8. At its 84<sup>th</sup> meeting (December 2019), the Executive Committee considered document UNEP/OzL.Pro/ExCom/84/65, presenting an “Analysis of the implications of parallel or integrated implementation of HCFC phase-out and HFC phase-down activities (decision 81/69)”. The document *inter alia* presented an analysis of the extent to which HCFC phase-out and HFC phase-down activities were expected to be implemented in an integrated or parallel manner in the production, consumption manufacturing and refrigeration servicing sectors during the 2020-2030 period; for each of these sectors, the analysis covers matters related to resource availability and cost-effectiveness, the capacity of Fund institutions including NOUs, and areas requiring policies to be formulated by the Committee. Based on the

<sup>9</sup> Decision XXVIII/1, Annex I of document UNEP/OzL.Pro/28/12.

<sup>10</sup> Issues relevant to the Executive Committee arising from the Twenty-eighth Meeting of the Parties to the Montreal Protocol (UNEP/OzL.Pro/ExCom/77/70/Rev.1).

<sup>11</sup> Paragraph 205 to 2012 of document UNEP/OzL.Pro/ExCom/77/76.

analysis, the document noted that HFC phase-down activities, together with ongoing HCFC phase-out activities, were expected to expand the scope and complexity of work under the Multilateral Fund.

#### Scope and structure of the document

9. The present document reviews and updates the information in documents UNEP/OzL.Pro/ExCom/74/51 and UNEP/OzL.Pro/ExCom/78/7, specifically with regard to IS activities, and addresses challenges linked to the Kigali Amendment, taking into consideration relevant documents considered by the Executive Committee and decisions adopted by the Parties and the Executive Committee subsequent to the adoption of the Kigali Amendment. It assesses the relevance of IS support in contributing to the achievement of Article 5 countries' compliance with the Montreal Protocol's control measures, and sets out the range of activities that NOUs must undertake to achieve the HCFC and HFC control measures between 2020 and 2030. The document also reviews the format for IS reporting and renewal requests and the performance indicators that were added at the 74<sup>th</sup> meeting;<sup>12</sup> and presents a recommendation.

10. The document includes the following annexes:

- I Summary of the development of rules and policies for the funding of IS projects
- II List of the main documents on IS policy
- III. Summary of performance indicators used per objective of IS

11. In preparing the present document, the Secretariat took into consideration the Executive Committee's rules and policies for the funding of IS; previous documents on IS; and discussions with bilateral and implementing agencies regarding issues that were identified when reviewing requests for the renewal of IS projects submitted on behalf of Article 5 countries.

12. Given the constraints imposed by the COVID-19 pandemic, the Secretariat was unable to discuss matters related to IS projects, in particular on the need to update the current reporting format and the performance indicators, with all bilateral and implementing agencies.

#### **Relevance of IS support during the 2020-2030 period**

13. The financial support provided through IS projects has been a major contributor to the achievement of Article 5 countries' compliance with the Montreal Protocol's control measures; all Article 5 countries have consistently provided details on the role and position of the NOU within the national administration and its reporting lines, and how the ozone-layer protection programmes are anchored within the country's Government structure. Furthermore, IS support has allowed Article 5 countries to build their capacity and strengthen their role as full partners in the Montreal Protocol.

14. During the 2020-2030 period, all Article 5 countries will be implementing activities to phase out HCFCs (and achieve full phase-out by 2030, except for the servicing tail) and to initiate the phase-down of HFCs (and achieve the freeze by all Article 5 group 1 and group 2 countries, and the 10 per cent reduction in HFC consumption by Article 5 group 1 countries).

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<sup>12</sup> The process for renewal of IS projects every two years using the approved format and performance indicators is applicable only for those countries that have stand-alone IS projects, not for those whose IS are integrated with their HPMPs.

15. Table 1 provides an indicative list of the main activities that Article 5 countries will need to implement to meet their compliance obligations under the Montreal Protocol. NOUs will play a key role in the implementation of these activities.

**Table 1. Compliance targets and potential phase-down/phase-out activities between 2020 and 2030**

Year	Compliance target <sup>13</sup>	Potential activities <sup>14</sup>
<b>2020</b>	35.0% reduction from HCFC baseline HFC base year for group 1 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 15 to 20 countries
<b>2021- 2022</b>	35.0% reduction from HCFC baseline HFC base year for group 1 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 15 to 20 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting
<b>2023</b>	35.0% reduction from HCFC baseline	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 15 to 20 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2024</b>	35.0% reduction from HCFC baseline Freeze at HFC baseline for group 1 countries HFC base year for group 2 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 15 to 20 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2025- 2026</b>	67.5% reduction from HCFC baseline Freeze at HFC baseline for group 1 countries HFC base year for group 2 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 10 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2027</b>	67.5% reduction from HCFC baseline Freeze at HFC baseline for group 1 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 10 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2028</b>	67.5% reduction from HCFC baseline Freeze at HFC baseline for group 1 countries Freeze at HFC baseline for group 2 countries	HCFC servicing under HPMPs for all countries HCFC manufacturing under HPMPs for 10 countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2029</b>	67.5% reduction from HCFC baseline 10% reduction from HFC baseline for group 1 countries Freeze at HFC baseline for group 2 countries	HCFC servicing under HPMPs for all countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects
<b>2030</b>	100.0% reduction from HCFC baseline except for servicing tail	HCFC servicing under HPMPs for all countries Preparation of HFC phase-down plans Updating HFC licensing/quota system and data reporting

<sup>13</sup> Some Article 5 countries committed in their Agreements with the Executive Committee to accelerate the reductions of HCFC consumption.

<sup>14</sup> The enabling activities for the phase-down of HFCs in Article 5 countries (approved and to be approved), and the stand-alone HFC investments projects that have been approved to provide detailed information on the incremental costs of conversion, are not included in the Table. Also, the number of countries is indicative.

Year	Compliance target <sup>13</sup>	Potential activities <sup>14</sup>
	10% reduction from HFC baseline for group 1 countries Freeze at HFC baseline for group 2 countries	HFC servicing under HFC phase-down plans for several countries Stand-alone HFC investment projects

NOU responsibilities in light of the HCFC phase-out

16. The ongoing contribution of IS to the HCFC compliance obligations of Article 5 countries, either through stand-alone projects or when integrated into national plans, can be summarized as follows:

- (a) Assisting relevant authorities to put in place and enforce legislation and regulations for the control and monitoring of consumption and production (where applicable), of HCFCs; working closely with customs departments on issues including the application of any revision of the harmonized system nomenclature for HCFCs and other non-ODS substances that have been phased in;
- (b) Coordinating the collection, analysis and submission of HCFC consumption and production data under Article 7 of the Montreal Protocol and progress reports on the implementation of country programmes (CP);<sup>15</sup>
- (c) Coordinating at the national level the preparation and submission of stages of HPMPs,<sup>16</sup> and planning, organizing, directing and leading the implementation of all activities required to efficiently implement the HPMPs; and
- (d) Ensuring sustainability of the ODS phase-out achieved through monitoring, reporting and verification.<sup>17</sup>

New responsibilities of the NOUs in light of the Kigali Amendment

17. In addition to their current responsibilities to facilitate the phase-out of HCFCs and transition to alternatives that minimize environmental impact (decision 74/51(c)),<sup>18</sup> NOUs will acquire new responsibilities under the Kigali Amendment, as summarized below.

*Ratification of the Kigali Amendment<sup>19</sup>*

18. The NOUs are taking a leading role in the administrative procedures required to ratify the Kigali Amendment, which entails an understanding of the Kigali Amendment itself, an analysis of their countries' HFC consumption (and production where applicable), and an assessment of the regulatory and policy framework in place. The NOUs are also coordinating consultations with Governments' departments responsible for climate, energy efficiency and other related matters, as well as other stakeholders (e.g., industry, trade associations) to harmonize efforts and to avoid potential contradictory positions between the

<sup>15</sup> The NOU is the focal point for collecting and reviewing CP data for submission to the Fund Secretariat (by 1 May each year), and Article 7 data for submission to the Ozone Secretariat (by 30 September each year).

<sup>16</sup> Currently, stage I of HPMPs for 113 countries and stage II of HPMPs for 73 countries are ongoing; stage I of HPMPs for 32 countries have been completed.

<sup>17</sup> UNEP/OzL.Pro/ExCom/87/41, "Overview of current monitoring, reporting, verification and enforceable licensing and quota systems developed with support from the Multilateral Fund (decision 84/85)", provides information relevant to IS in this regard.

<sup>18</sup> These activities are listed in paragraph 15 of document UNEP/OzL.Pro/ExCom/74/51.

<sup>19</sup> As of 17 February 2021, 113 countries (73 Article 5 countries) have ratified the Kigali Amendment.

Montreal Protocol and other environmental conventions (e.g., the United Nations Framework Convention on Climate Change (UNFCCC)).

*Legislation, regulations and standards*

19. Article 5 countries will be required to adopt and implement legislation and regulations to control and monitor HFC consumption (and production where applicable), including the inclusion of HFCs into the existing import/export licensing and quota systems.<sup>20</sup> New policies and regulations will be needed to facilitate the phase-down of HFCs and the introduction of low-GWP alternative technologies through, *inter alia*, issuing bans on the import of HFC-based RAC equipment.

20. The capacity of the NOUs will need to be strengthened to liaise with national standards committees to promote the adoption and safe use of low-GWP alternative technologies, particularly relating to the RAC sector, through *inter alia* developing, updating and/or adapting safety codes and standards, and through stakeholder capacity-building and training.

21. Article 5 countries with HCFC-22 production facilities will be required to develop and implement policy and regulations to control the emissions of HFC-23 by-product, and ensure reporting thereon, including the quantities of HFC-23 by-product generated and emitted. In addition, Article 5 countries with HFC production will be required to phase down that production in line with the compliance targets specified in the Montreal Protocol, and report their HFC production.

*Data reporting under CP and under Article 7 of the Protocol*

22. Article 5 countries will need to further develop and implement methodologies for data collection, verification and reporting,<sup>21</sup> noting *inter alia* that the current lack of specific customs codes in the Harmonized System presents challenges with regard to the establishment of HFC licensing and quota systems and the customs officers' ability to correctly identify shipments;<sup>22</sup> that several of the HFCs are used in blends rather than as pure substances and that blends will constitute the greater part of HFC consumption; and that emissions of HFC-23 by-product will need to be addressed by countries with HCFC-22 production enterprises.

23. The NOU will continue to work closely with customs and enforcement officers to achieve compliance with the Montreal Protocol targets. Training programmes will be required *inter alia* to provide an understanding of the formulation of different HFC blends, their global-warming-potential (GWP), and the complexity of the methodology to calculate consumption, expressed in CO<sub>2</sub>-equivalent.

*Coordination with Government authorities and stakeholders*

24. The NOU will play a key coordinating role during the preparation of the HFC phase-down strategy and the action plan to meet the country's obligations under the Kigali Amendment, and in managing the financial support from the Multilateral Fund.

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<sup>20</sup> Article 5 Parties that have ratified, approved or accepted the Kigali Amendment must establish and implement a licensing system by 1 January 2019, which will include Annex F substances, noting that those Parties that are not in a position to establish and implement a licensing system by 1 January 2019 may delay taking those actions until 1 January 2021.

<sup>21</sup> New formats for reporting data under Article 7 of the Protocol have been approved by the Parties and new reporting formats for CP data have been approved by the Executive Committee.

<sup>22</sup> The World Customs Organization, through its Harmonized Review subcommittee and the Scientific subcommittee, considered the request in decision XXVI/8 of the Parties to the Montreal Protocol to designate individual HS codes for most common HFCs.

25. Similar to the ODS phase-out strategies, the HFC phase-down strategy must be integrated into national plans, requiring close consultation with decision-makers and relevant stakeholders (e.g., customs and enforcement authorities; training institutions/vocational schools for refrigeration technicians; refrigeration associations and trade organizations; and industrial sectors using controlled substances). Policies to support the selection and safe adoption of alternative technologies would need to be developed and implemented taking into consideration national requirements including energy-efficiency and potential impacts to the environment, particularly on the climate, noting that there are still a limited number of alternative technologies available for some applications.

26. Consultations with Government authorities and other stakeholders responsible for climate change and energy efficiency will also be required, to ensure a streamlined approach to HFC phase-down. The NOU will need to be knowledgeable about the policies and regulations in place related to energy efficiency, labelling and standards; and the country's strategy for reducing emissions of greenhouse gases (GHG) in order to align actions under the Kigali Amendment with the targets of not only the Montreal Protocol, but also the nationally determined contributions in respect of the Paris Agreement under the UNFCCC.

#### *Information and public awareness*

27. The NOU will continue to play a major role in raising public and stakeholder awareness of the Kigali Amendment, including the design, production and dissemination of information material and publications related to *inter alia* HFCs, low-GWP alternatives, and energy-efficiency.

#### New responsibilities of the NOU to operationalize the gender policy of the Multilateral Fund

28. In line with the policy on gender mainstreaming for Multilateral Fund-supported projects,<sup>23</sup> the NOUs will be required to ensure that gender-related indicators are developed, integrated, and measured during the implementation of all projects supported by the Multilateral Fund.

#### Support through UNEP CAP and PMUs

29. The Executive Committee discussed the matter of potential similarities between agency administrative costs and PMUs, and the extent to which agencies were passing on funds for the administration of projects at the national level to financial intermediaries, executing agencies or Governments at the 82<sup>nd</sup> meeting,<sup>24</sup> and matters related to PMUs, IS, and implementing agencies, including activities and funding under UNEP CAP, core units and other elements of the administrative cost regime, and information on national level independent verification at the 83<sup>rd</sup> meeting.<sup>25</sup>

30. It was noted that the NOU's role was central to the phase-out of controlled substances and contributed to the success of the Montreal Protocol at the national level. The NOU's role of monitoring, coordinating and reporting on Montreal Protocol activities was broader than that of the PMU. The legal and institutional framework facilitated by the NOU provided the foundation for the PMU to implement the HPMP as it provided the technical expertise that was not available within the NOU, thus helping the countries to meet their compliance obligations under the Protocol.

31. The core services provided by UNEP CAP included *inter alia*, a capacity-building mechanism that

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<sup>23</sup> At its 84<sup>th</sup> meeting, the Executive Committee *inter alia* approved the operational policy on gender mainstreaming for Multilateral Fund-supported projects and requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle (decision 84/92(b)).

<sup>24</sup> Review of administrative cost regime: duties and costs associated with project management units (UNEP/OzL.Pro/ExCom/82/63).

<sup>25</sup> Review of the administrative cost regime: analysis by country of project management units, institutional strengthening, and implementing agencies, including activities and funding under the Compliance Assistance Programme, core units and other elements of the administrative cost regime, and information on national level independent verification (UNEP/OzL.Pro/ExCom/83/39).



promoted the exchange of information, experience and know-how that strengthened the capacity of the NOUs and the stakeholders to establish an enabling environment for the implementation of the Montreal Protocol.

#### Extending the duration of renewal of IS projects

32. In line with decision 19/29, after the initial three-year period upon first approval of an IS project bilateral and implementing agencies have been submitting requests on behalf of Article 5 countries for the renewal of IS projects with a duration of two years. In preparing the present document, the Secretariat reviewed the implications for the countries, the bilateral and implementing agencies, the Secretariat, and the Executive Committee of potentially extending the duration of the renewal of IS projects from two to three years. For the four Article 5 countries that integrated the IS projects into their HPMPs, IS-related activities have become part of HPMP implementation, and therefore funding depends on the timing of HPMP tranche submissions.

33. Further to this review, the Secretariat noted that extending the implementation period for renewals of IS stand-alone projects could have the following benefits at the country level:

- (a) *Reduced processing burden:* All Article 5 countries have internal administrative procedures that must be followed<sup>26</sup> for each project approved by the Executive Committee. Some of these processes take considerable time, yet they must be completed before actual implementation of the project can start;
- (b) *Enhanced focus on project implementation:* Given the administrative actions required prior to starting implementation, the actual timeframe for implementation of IS projects is less than two years. In addition, the submission of proposal for renewal of IS projects eight weeks in advance of the Executive Committee meeting includes a progress report that only covers between 15 and 18 months of implementation, giving insufficient time for some of the performance indicators to be achieved. A three-year timeframe would allow for a longer period for effective implementation between phases and would enable the NOU to implement activities against the performance indicators; and
- (c) *Increased NOU stability and time for hiring staff:* Article 5 countries can only commit to staff contracts in accordance with the duration of the IS project; extending the duration to three years will create more incentive for staff to work with the NOU given the benefits of a longer contract.

34. The easing of the processing burden at the country level will also apply to bilateral and implementing agencies. In addition, the workload of the Secretariat will be reduced in terms of project review, with a similar reduction in the Executive Committee's workload in terms of the review, consideration and approval of relevant documents. As each bilateral and implementing agency has its own internal mechanism to regularly monitor the implementation of IS projects, extending the duration to three years would not reduce the quality of the project proposals, nor would it impede the monitoring of those projects by the Executive Committee.

#### **Funding requirements for IS**

35. Since its 7<sup>th</sup> meeting, the Executive Committee has approved US \$151,925,706, plus agency support costs of US \$8,151,770 for IS projects, equivalent to 4.21 per cent of the total funding approved

<sup>26</sup> For example, obtaining approval by the relevant authority; the need, for non-English speaking countries, to translate IS renewal documents, legal agreements and other supporting documents before their approval, and agreement signing; opening of new bank accounts where required due to strict financial regulations (funds cannot be transferred until a new bank account is opened).

under the Multilateral Fund for projects and activities. Currently, 144 Article 5 countries receive funding for IS projects, 140 of these countries have stand-alone IS projects and four countries have their IS project integrated as part of their HPMP. If all Article 5 countries with IS projects were to present funding requests in the same year, the overall funding of IS projects for the 144 Article 5 countries for one year would amount to US \$10,012,506 (funding requests are not submitted for all the 144 countries in any given year).

36. Historically, the Executive Committee has increased the funding level of IS projects twice: at its 35<sup>th</sup> meeting (December 2001), by 30 percent from the historically agreed level (decision 35/57), and at its 74<sup>th</sup> meeting (May 2015), by an additional 28 per cent with a minimum annual funding of US \$42,500 (decision 74/51), applicable only to stand-alone IS projects. The yearly average funding for IS projects is approximately US \$7,489,737. Currently, 61 countries are funded at the minimum level of US \$42,500 per year.

37. The relatively low level of funding approved for IS has contributed significantly to the success of the Montreal Protocol as the first and only international environmental treaty to have been universally ratified (including all its amendments except for the Kigali Amendment), with a record of nearly all Article 5 countries being in compliance with all their obligations under the Montreal Protocol. Sufficient funding support for IS projects should continue to enable those Article 5 countries that have not ratified the Kigali Amendment to do so, while ensuring their compliance with the existing HCFC phase-out targets agreed under decision XIX/6 and the new HFC phase-down targets agreed under the Kigali Amendment.

38. The entry into force of the Kigali Amendment will add further duties for the NOUs in addition to those already in place, as mentioned above. As of February 2021, 79 Article 5 countries had ratified the Kigali Amendment, which is over 50 per cent of the total number of Article 5 countries. Experience with the CFC and HCFC phase-out has shown that some of the most challenging activities associated with supporting compliance at the country level take place in the years immediately prior to the date of the first control measure for the substances concerned.

39. It is difficult to quantify the impact this increased workload will have on the need for additional IS funding relating to future work in all Article 5 countries, especially for HFCs. Although the existing institutional capacity, some of which was established during the phase-out of ODS including HCFCs, will be used during the HFC phase-down process, other institutions already in place will need to be strengthened to accomplish further benefits of the HCFC phase-out, such as energy efficiency and the reduction of CO<sub>2</sub> emissions into the atmosphere. In addition, the Executive Committee is in the process of discussing guidelines for the preparation and funding of HFC phase-down plans, as well as cost guidelines for HFC phase-out. These guidelines, once agreed, will further define the level of effort and the extent of actions required in each Article 5 country to implement the Kigali Amendment through the HFC phase-down plans.

40. The above analysis not only provides a strong basis for continuing to maintain funding support for IS projects, but could also assist the Executive Committee in exploring possibilities for additional IS funding to take into account the complex requirements for compliance with the Kigali Amendment, and the support required to implement stage 1 of the HFC phase-down plans.

### **Request for a review of IS and funding levels**

41. Noting that the HFC baseline for compliance will only be established in 2025 for Article 5 group 1 countries, that funding for preparation of HFC phase-down has not yet been approved and that the actual phase-down plans could be approved approximately two years after the approval of funding for preparation of those plans, the Executive Committee may wish to request the Secretariat to submit an analysis of the IS projects including funding levels no later than the second meeting in 2025.

## Review of the reporting format for IS renewals

42. Even though the new format for reporting, which includes specific indicators, was approved only at the 74<sup>th</sup> meeting,<sup>27</sup> the Secretariat undertook an analysis of the reports written using this new format to see whether they contained sufficient information to describe the results of the implementation of IS renewal projects. The Secretariat also checked whether the performance indicators decided at the same meeting were used in the reports, and whether the reports submitted from the 85<sup>th</sup> meeting onward have incorporated the Multilateral Fund gender policy. The Secretariat noted that there were recurrent issues in the submissions, including *inter alia*, a lack of clarity regarding the concepts of enforcement of control measures, monitoring of ODS already phased out, prevention of illegal trade, and monitoring of ODS import/export data; unclear definitions of meetings and their purposes; and duplication of information reported under tranches of the HPMPs. Those issues were generally resolved through discussions between the Secretariat and the relevant bilateral or implementing agency.

43. In reviewing the performance indicators included in the reports submitted with requests for renewal of stand-alone IS projects, the Secretariat noted that a wide range of indicators had been selected by Article 5 countries for each objective, many of which were often not attributable to meeting the objectives of the IS. A table summarizing the performance indicators used per IS objective is contained in Annex III to the present document.

44. Based on the above-mentioned review, and noting that the Kigali Amendment entered into force on 1 January 2019, the Secretariat considered it necessary:

- (a) To update the format for IS terminal reports and renewal requests, including consideration of those those projects integrated into the HPMP, by incorporating new objectives related to the implementation of the Kigali Amendment and the gender policy of the Multilateral Fund; and
- (b) To identify the performance indicators that are the most relevant, reliable, and pertinent for each of the objectives of the IS projects and can be used by all Article 5 countries in a consistent manner.

45. The proposed updates to the reporting format will provide greater clarity and allow the Secretariat to provide the Executive Committee with a more thorough analysis of the impact of IS funding. However, given the constraints imposed by the COVID-19 pandemic, the Secretariat was unable to have discussions with the bilateral and implementing agencies on matters related to the review of the reporting format for IS projects currently in place, and the selection of a set of performance indicators that could be used consistently by all Article 5 countries. The Secretariat proposes to discuss these matters with the bilateral and implementing agencies and to report back to the Executive Committee at a future meeting.

## RECOMMENDATION

46. The Executive Committee may wish:

- (a) To note the review of funding of institutional strengthening (IS) projects including funding levels (decision 74/51(d)), contained in document UNEP/OzL.Pro/ExCom/87/42;
- (b) To establish the level of funding for IS support taking into account the activities that Article 5 countries would need to undertake to initiate activities to implement the Kigali Amendment and meet the first control measures for phasing down HFCs during the period

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<sup>27</sup> At its 74<sup>th</sup> meeting, the Executive Committee revised the reporting format for IS renewal requests that had been in use since the 61<sup>st</sup> meeting.

2020-2030, while at the same time continuing implementation of HCFC phase-out management plans;

- (c) To consider whether to extend the duration of IS renewal implementation phases from the current two years to three years for IS renewal proposals submitted from the 88<sup>th</sup> meeting onwards;
- (d) To request the Secretariat to discuss with the bilateral and implementing agencies matters related to reviewing the existing format of terminal reports and requests for extension of IS funding, and selecting a set of performance indicators that could be used consistently by all Article 5 countries, and to report back to the Executive Committee at a future meeting; and
- (e) To request the Secretariat to submit a further review of IS projects including funding levels no later than the second meeting in 2025.

## Annex I

### SUMMARY OF THE DEVELOPMENT OF RULES AND POLICIES FOR THE FUNDING OF INSTITUTIONAL STRENGTHENING PROJECTS

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

2. At its 7<sup>th</sup> meeting (June 1992), the Executive Committee considered the document on institutional strengthening,<sup>2</sup> which included some indicative figures for institutional support, that would serve as guidelines for the implementing agencies, Article 5 and donor countries. The document set out three elements of institutional support for funding, namely office equipment, personnel cost and operational cost. During the discussion, some members felt that a case-by-case analysis of the institutional strengthening needs in each country was required. Although maximum amounts could be set, each country should be able to decide on the way the funds would be allocated in the light of the specific circumstances prevailing in the country. They also felt that in some countries the amounts might need to be higher than those proposed in the document. Subsequently, the Executive Committee adopted *inter alia* the following recommendations<sup>3</sup> and approved the first funding for institutional strengthening projects:

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

3. At its 19<sup>th</sup> meeting (May 1996), the Executive Committee adopted guidelines for renewal of institutional strengthening proposals<sup>4</sup> (decision 19/29). The guidelines indicated that for new institutional

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<sup>1</sup> UNEP/OzL.Pro/ExCom/5/5/Rev.2 and paragraph 28(d) of document UNEP/OzL.Pro/ExCom/5/16

<sup>2</sup> UNEP/OzL.Pro/ExCom/7/20

<sup>3</sup> Paragraph 32 of document UNEP/OzL.Pro/ExCom/7/20

<sup>4</sup> UNEP/OzL.Pro/ExCom/19/52 and Corr.1

strengthening projects approval would be for a period of three years, while initial renewals would be at the same level of funding per year as the first approval for two years and would be conditional on a report on progress and an articulated plan of future action. Any subsequent renewal would also be for two years.

4. At its 30<sup>th</sup> meeting, the Executive Committee considered the final report of the 1999 evaluation of institutional strengthening projects<sup>5</sup> and draft follow-up action plan. In decision 30/7, the Executive Committee decided, *inter alia*:

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

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<sup>5</sup> UNEP/OzL.Pro/ExCom/30/6 and Corr.1

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

5. In response to decision 30/7, the Executive Committee considered at its 32<sup>nd</sup> meeting (December 2000) a document on general principles for agreements between governments and the implementing agencies on new and renewed institutional strengthening projects.<sup>6</sup> The document incorporated the elements referred to in decision 30/7 in the relevant sections of the UNEP and UNIDO agreements. Based on this document, the Executive Committee *inter alia* requested UNEP and UNIDO to move some of the elements of paragraph (b) of decision 30/7 from section 3.3, “Assumptions” to section 6.4.1, “General terms and conditions” of the revised model agreement; and the World Bank to revise the proposed amendment letter in order to ensure consistency with decision 30/7 (decision 32/15).

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

7. At the 35<sup>th</sup> meeting (December 2001), during the discussion on the study on defining a starting point for determining the remaining ODS consumption eligible for funding by the Multilateral Fund (follow-up to decision 34/66 (a)),<sup>8</sup> the Government of the United States of America submitted a proposal for implementing the first phase of the strategic framework adopted by the Executive Committee at its 32<sup>nd</sup> meeting.<sup>9</sup> The proposal included a section on institutional strengthening projects, proposing *inter alia* that those projects and their renewals shall be approved at a level that is 30 per cent higher than the historically agreed level. This will assist countries to carry out the new strategic framework agreed, and provide increased support for critical areas such as public awareness. In addition to this direct increase in funding, UNEP will be provided with US \$200,000 per year to support public awareness, and countries will receive enhanced direct support on policy and substantive issues through UNEP’s new Compliance Assistance Programme (CAP). It also noted that countries undertaking national phase-out plans were likely

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<sup>6</sup> UNEP/OzL.Pro/ExCom/32/18

<sup>7</sup> UNEP/OzL.Pro/ExCom/33/16

<sup>8</sup> Agenda item 7 a, based on document UNEP/OzL.Pro/ExCom/35/61

<sup>9</sup> UNEP/OzL.Pro/ExCom/35/CRP.1

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

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

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

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

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

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

13. The Executive Committee, through decision 45/55, requested the Secretariat to expand on the paper from China and to present to the 47<sup>th</sup> meeting the preliminary results of an analysis of possible further action

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<sup>10</sup> UNEP/OzL.Pro/ExCom/43/49

<sup>11</sup> Annex XX of document UNEP/OzL.Pro/ExCom/44/73

<sup>12</sup> UNEP/OzL.Pro/ExCom/45/47



and policies required to assist compliance with the phase-out requirements for all the ODS covered by the Montreal Protocol, including the review of institutional strengthening projects envisaged under decision 35/57.

14. At the 47<sup>th</sup> meeting (November 2005), the Executive Committee considered the document on the preliminary results of an analysis of possible further action and policies required to assist compliance with all ODS phase-out requirements, including the review of institutional strengthening projects envisaged under decision 35/57.<sup>13</sup> The issues presented in the document fell into three categories, namely, the adequacy of current institutional strengthening and capacity-building activities to support phase-out and compliance with the Protocol control measures up to and including 2010; the potential need for institutional support to Article 5 countries after 2010; and an initial assessment of the opportunities for more efficient and effective administration of institutional strengthening project renewals. The paper provided some conclusions, including the suggestion that the institutional support measures already in place constituted an appropriate response to meeting the needs of Article 5 countries in regard to their compliance obligations under the Protocol up to and including 1 January 2010.

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

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

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<sup>13</sup> UNEP/OzL.Pro/ExCom/47/53

16. At the 49<sup>th</sup> meeting (July 2006), the Executive Committee considered the merits of replacing the current requirements for submissions of requests for renewal of an institutional strengthening project with a simplified arrangement.<sup>14</sup> The document concluded that some of the key features of the current arrangements, especially those associated with financial management and accountability, might need to be retained. If those features were to remain, the existing system would need to be maintained. The Secretariat, however, would continue to look closely at the renewal process for institutional strengthening projects and might be in a position to propose some detailed improvements as part of the next review, which was due at the end of 2007. The document also proposed fine-tuning the existing arrangements for conveying the views of the Executive Committee to governments of countries whose institutional strengthening projects had been renewed.

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

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

18. At the 53<sup>rd</sup> meeting (November 2007), the Executive Committee considered options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process.<sup>15</sup> It provided a brief review of the current funding arrangements for institutional strengthening projects, explored opportunities for streamlining institutional strengthening renewal requests and proposed possible future levels of funding to support institutional strengthening projects. It concluded that support from the Multilateral Fund for institutional strengthening projects should be maintained at levels similar to current ones because the remaining activities in NOUs needed to support phase-out objectives after 2010 would be similar to those required to meet CFC phase-out goals.

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

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

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<sup>14</sup> UNEP/OzL.Pro/ExCom/49/38

<sup>15</sup> UNEP/OzL.Pro/ExCom/53/61

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

20. The Executive Committee, at its 56<sup>th</sup> meeting (November 2008), considered the final report on the evaluation of institutional strengthening projects,<sup>16</sup> explained that the evaluation was part of the 2008 monitoring and evaluation work programme approved by the Executive Committee at its 53<sup>rd</sup> meeting (decision 53/7). The desk study on the evaluation of institutional strengthening projects that had been presented to the 54<sup>th</sup> meeting of the Executive Committee<sup>17</sup> had identified important issues for more detailed investigation during the results of which were summarized in this report.

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

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

22. At its 57<sup>th</sup> meeting (March-April 2009), the Executive Committee considered a review of the current funding arrangements for institutional strengthening,<sup>18</sup> and noted that institutional strengthening

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<sup>16</sup> UNEP/OzL.Pro/ExCom/56/8

<sup>17</sup> UNEP/OzL.Pro/ExCom/54/13

<sup>18</sup> UNEP/OzL.Pro/ExCom/57/63

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

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

23. At its 58<sup>th</sup> meeting (July 2009), the Executive Committee considered the issue of the levels of funding for institutional strengthening projects beyond 2010<sup>19</sup>. It was noted that since the adoption of decision 47/49, the Executive Committee had considered several policy papers on institutional strengthening, and that implementing agencies had submitted a number of requests for the renewal of funding for institutional strengthening projects beyond 2010 and, as a result, the Secretariat had been unable to recommend those projects for blanket approval. On this basis, the Executive Committee decided to approve institutional strengthening renewals up to 31 December 2010 (decision 58/16).

24. At the 59<sup>th</sup> meeting (November 2009) in discussing the document on the overview of issues identified during project review,<sup>20</sup> the Executive Committee noted that the first HPMP submitted to the meeting, included funding in principle for institutional strengthening to be approved as part of different tranches, subject to the conditions of a performance-based agreement. The Executive Committee was asked to consider whether to accept, where requested, the inclusion of funding for institutional strengthening within the HPMP. The representative of the Secretariat recalled paragraph 3 of decision XXI/29. On this issue, the Executive Committee decided that Article 5 Parties had the flexibility to submit requests for institutional strengthening funding either as part of their HCFC phase-out management plans or separately, as they so choose (decision 59/17).

25. At its 59<sup>th</sup> meeting, the Executive Committee also considered a document on institutional strengthening: options for funding after 2010,<sup>21</sup> and decided to extend financial support for institutional strengthening funding for Article 5 Parties beyond 2010 up to December 2011; and to allow Article 5 Parties to submit their institutional strengthening projects as stand-alone projects or within their HCFC phase-out management plans (decision 59/47).

26. At the 60<sup>th</sup> meeting (April 2010), in the context of the document on the overview of issues considered during project review,<sup>22</sup> the Executive Committee considered the policy issue raised on the funding of institutional strengthening renewals. The Committee was invited to consider extending the period of renewal of institutional strengthening projects for those approved at the 57<sup>th</sup>, 58<sup>th</sup> and 59<sup>th</sup> meetings in line with decision 59/47, and to requests for funding on top of current funding practices to account for additional responsibilities that the NOU expects to have when considering climate and ozone benefits. In its decision 60/10, the Executive Committee decided:

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<sup>19</sup> UNEP/OzL.Pro/ExCom/58/48

<sup>20</sup> UNEP/OzL.Pro/ExCom/59/11

<sup>21</sup> UNEP/OzL.Pro/ExCom/59/53

<sup>22</sup> UNEP/OzL.Pro/ExCom/60/15

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

27. At its 61<sup>st</sup> meeting (July 2010), the Executive Committee considered institutional strengthening: options for funding and formats for renewal requests,<sup>23</sup> and decided:

- (a) To note the document on institutional strengthening: Options for funding and formats for renewal requests (UNEP/OzL.Pro/ExCom/61/49);
- (b) To maintain funding for institutional strengthening support at current levels, and to renew institutional strengthening projects for the full two-year period from the 61<sup>st</sup> meeting, taking into account decisions 59/17 and 59/47(b) that allowed Article 5 Parties to submit their institutional strengthening projects as stand-alone projects or within their HCFC phase-out management plans, and to review continued institutional strengthening funding at those levels at the first meeting of the Executive Committee in 2015; and
- (c) To approve the revised format for institutional strengthening renewals with the identified objectives and indicators attached as Annex XV to the report of the 61<sup>st</sup> meeting,<sup>24</sup> and to request the bilateral and implementing agencies to use those formats for requests for renewal of institutional strengthening projects submitted to the 62<sup>nd</sup> meeting and onwards (decision 61/43).

28. At its 74<sup>th</sup> meeting (May 2015), the Executive Committee considered the document on the review of funding of institutional strengthening projects (decision 61/43(b)),<sup>25</sup> and decided:

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

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<sup>23</sup> UNEP/OzL.Pro/ExCom/61/49

<sup>24</sup> UNEP/OzL.Pro/ExCom/61/58

<sup>25</sup> UNEP/OzL.Pro/ExCom/74/51

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

29. At the Twenty-eighth Meeting, the Parties adopted decision XXVIII/2 related to the amendment phasing down HFCs, where *inter alia*:

- (a) Requested the Executive Committee to include the following enabling activities to be funded in relation to the hydrofluorocarbon phase-down under the Amendment: capacity-building and training for the handling of hydrofluorocarbon alternatives in the servicing, manufacturing and production sectors; institutional strengthening; Article 4B licensing; reporting; demonstration projects; and development of national strategies (paragraph 20); and
- (b) Directed the Executive Committee to increase institutional strengthening support in light of the new commitments related to hydrofluorocarbons under the Amendment (paragraph 21).

**Annex II**

**MAIN DOCUMENTS ON INSTITUTIONAL STRENGTHENING**

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

<b>Document number</b>	<b>Month/Year</b>	<b>Title of document</b>
UNEP/OzL.Pro/ExCom/49/38	April 2006	The relative merits of replacing the current requirements for submissions of requests for renewal of an institutional strengthening project with a simplified arrangement (follow-up to decision 47/49)
UNEP/OzL.Pro/ExCom/53/61	November 2007	Paper on options for possible funding arrangements and levels for institutional strengthening support beyond 2010, and on opportunities to fine-tune the institutional strengthening renewal process (follow-up to decisions 47/49 and 49/32)
UNEP/OzL.Pro/ExCom/54/13	April 2008	Desk study on the evaluation of institutional strengthening projects
UNEP/OzL.Pro/ExCom/56/8	November 2008	Final report on the evaluation of institutional strengthening projects
UNEP/OzL.Pro/ExCom/57/63	April 2009	Institutional strengthening beyond 2010: funding and levels (follow-up to decision 53/39)
UNEP/OzL.Pro/ExCom/58/48	July 2009	Institutional strengthening: options for funding after 2010 (follow-up to decision 53/39 and decision 57/36(b))
UNEP/OzL.Pro/ExCom/59/53	November 2009	Institutional strengthening: options for funding after 2010
UNEP/OzL.Pro/ExCom/60/15	April 2010	Overview of issues identified during project review
UNEP/OzL.Pro/ExCom/61/49	July 2010	Institutional strengthening: options for funding and formats for renewal requests
UNEP/OzL.Pro/ExCom/74/51	May 2015	Review of funding of institutional strengthening projects (decision 61/43(b))
UNEP/OzL.Pro/ExCom/78/6	April 2017	Information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries: Enabling activities
UNEP/OzL.Pro/ExCom/78/7	April 2017	Information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries: Institutional strengthening
UNEP/OzL.Pro/ExCom/82/63	December 2018	Analysis of the duties and costs associated with project management units and the extent to which agencies passed on administrative duties to other institutions (decision 79/41(f))



Annex III

SUMMARY OF PERFORMANCE INDICATORS USED PER OBJECTIVE OF IS

Objectives	Number of indicators used	SMART <sup>53</sup> indicators (%)	Incomplete indicators <sup>54</sup> (%)
<b>1: Adoption/implementation of legislation and regulation to control and monitor controlled substances</b>			
Introduction and implementation of HCFC licensing and quota system	15	60	38
Enforcement of control measures to sustain CFCs and other ODS phased out	11	63	36
Monitoring illegal ODS trade (all ODS)	14	40	52
Ratification of Amendments to the Montreal Protocol	5	70	27
Introduction/revision of legislation to implement the Kigali Amendment	3	83	13
<b>2: Efficient and timely data collection and reporting</b>			
Monitoring customs import/export of controlled substances	15	81	10
Article 7 data reporting	4	99	0
Country programme data reporting	4	99	0
<b>3: Consultations and coordination with national agencies/stakeholders</b>			
Steering committees	7	78	19
Industry associations	7	70	24
<b>4: Supervision of timely implementation of phase-out activities and reduction in ODS consumption</b>			
Implementation of HPMPs	19	86	12
Implementation of enabling activities for HFC phase-down	8	86	8
<b>5: Awareness-raising and information exchange</b>			
Information dissemination to stakeholders	18	55	42
International Ozone Day celebrations	3	86	13
<b>6: Regional cooperation and participation in Montreal Protocol meetings</b>			
Participation in regional network meetings	5	90	9
Participation at meetings of the Open-ended Working Group and the Parties to the Montreal Protocol	6	90	8
<b>7: Implementation of the Multilateral Fund gender policy (*)</b>			
Ensure female participation in Montreal Protocol policy matters and decision making	11	51	47
Ensure female participation in activities supported under the Multilateral Fund	17	58	39
Encourage equal opportunities for female technicians to build a career in the refrigeration and air-conditioning sector	12	58	38

(\*) Thirty-nine IS projects had been submitted and approved since the adoption of the gender policy for the Multilateral Fund.

<sup>53</sup> “SMART” indicators stand for: Specific; Measurable; Achievable; Relevant; Timely.

<sup>54</sup> Incomplete indicators contain neither measurable nor time-bound goals.