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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**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)**

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Background

1. At its 47th Meeting the Executive Committee decided, inter-alia, to request the Secretariat, in consultation with the implementing agencies: “to prepare for the 49th Meeting a paper examining the relative merits of replacing the current requirements for submission of requests for renewal of an institutional strengthening (IS) 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”. This paper has been prepared by the Secretariat in response to decision 47/49 (g) (reproduced in full in Annex I).

Current procedures for renewals of institutional strengthening projects

2. At its 19th Meeting, the Executive Committee adopted in decision 19/29 a methodology for the renewal of IS projects that involved:

- A two-year project funding and renewal cycle without any change to the initial annual level of funding;
- The requirement for submission of:
 - (a) A terminal report on the activities and operations of the national ozone unit under the previous phase of the IS project; and
 - (b) An extension request that includes a plan of action indicating the activities proposed to be undertaken by the national ozone unit in the next phase of the IS project.

3. Formats for terminal reports and extension requests were approved at the 32nd Meeting (decision 32/17). The current funding levels as augmented for all Article 5 countries in decision 35/57 and for smaller low-volume-consuming (LVC) countries in decision 43/37, were confirmed as remaining unaltered prior to 2010 in decision 47/49.

4. At its 33rd Meeting the Executive Committee noted the final amendments to proposed new requirements for agreements between relevant agencies and the country concerned for IS projects and requested that the new requirements be applied for all future IS agreements (decision 33/12). No change to these agreements is proposed in this paper and they are therefore not discussed further.

5. Because of the length and the routine nature of the terminal report and extension request these are not forwarded to the Executive Committee. The documentation received is reviewed by the Secretariat, together with the latest data reports submitted by the country and relevant decisions of the Parties or findings of the Implementation Committee. The Executive Committee is provided with a summary table and brief report for each country together with draft remarks that the Executive Committee may wish to make to the government of the country concerned. The Secretariat also comments on any relevant data reporting or compliance issues (for projects not recommended for blanket approval).

Reasons for considering re-assessment of the process

6. In decision 35/57, the Executive Committee indicated that IS projects would continue to be funded until 2010, even when the countries concerned had reduced their consumption to zero. Institutional support thus became a permanent part of the financial mechanism, at least until 2010.

7. The Executive Committee has never declined to approve an IS project funding request. Instances of non-compliance by a country have been dealt with by approving funding for one year only, instead of two years. Anomalies in funding requests or other administrative issues are generally resolved by the Secretariat prior to submission, sometimes involving deferral of the submission to a subsequent meeting.

8. While the format of the IS report and action plan is currently presented in a way that considers the IS funding as a “project” with specific objectives that could potentially be stated and measured, funding for the strengthening of national institutions can alternatively be viewed as being provided with the objective of facilitating overall ODS phase-out and the compliance of the country with the Protocol’s control requirements.

9. If IS funding was viewed more broadly as support for a country’s overall Protocol objectives, then the primary source of information upon which to consider the implementation of the objectives of IS funding would be the annual report on progress with implementation of the country programme, the current format for which was augmented to include RMP data and adopted at the 46th Meeting of the Executive Committee (decision 46/39). This report could be used as the basis for analysis of requests for renewals of institutional strengthening projects, possibly with minor amendments to the format to include selected, high value information about the operation of the national ozone unit (NOU) together with a simplified, brief, submission request. In this way it may be possible to deal with IS renewal requests in one overall annual submission to the second meeting of each year.

Costs and benefits

10. The benefits of a revised system based on the country programme progress reports would be:

- (a) Removal of the need for a lengthy submission containing detail that does not currently determine approval or otherwise of the IS funding request;
- (b) Creation of a direct link between the annual CP update report, which is now the primary means of reporting on the overall phase-out situation of LVC countries (also provided by non-LVC countries), and provision of support for the IS project; and
- (c) A corresponding reduction in Executive Committee documentation.

11. There are no financial costs associated with the possible revision of IS funding modalities. However the potential disadvantages are as follows:

- (a) Multilateral Fund project proposals (other than project preparation requests) are consistently prepared in the form of a comprehensive submission indicating the results/outcomes of previous similar activities and itemised information on proposed activities/expenditures, to allow specific analysis of needs and costs;
- (b) On the basis of accountability, any proposal for funding from the Multilateral Fund (other than project preparation) should be accompanied by information on specific activities for which support is requested;
- (c) Similarly on the basis of accountability, any funding proposal may need to incorporate specific reporting requirements, in particular to enable assessment of the status of application of the funds and the appropriateness of the uses to which these were put;
- (d) The narrative information in current terminal reports concerning the situation of the NOU, the activities undertaken in the last renewal period and the status of expenditure, is potentially useful in gaining an understanding of the situation in the countries concerned and would be lost if a simplified application and review process was adopted; and
- (e) Any future evaluations of capacity building efforts funded through the IS project would have the disadvantage of being based on less complete documentation.

Consideration of Options

12. In reviewing the funding of IS projects in the paper prepared for the 47th Meeting (UNEP/OzL.Pro/ExCom/47/53) the Secretariat identified and indicated that there was, *prima-facie*, a case for reviewing and simplifying the modality for IS renewals. The case was based on the proposition that the main output of the IS project is a country's phase-out and compliance performance. Satisfactory phase-out and compliance performance, as indicated in country programme progress reports, could form the basis for routine blanket approval renewal of the IS project.

13. However, when reviewing the currently used terminal report and action plan formats, with a view to deleting most or all of the content, it became apparent that a significant amount of the data therein, especially as it relates to (a) actual use of approved funds and proposed use of future funds and (b) the situation of the NOU in the government's infrastructure and decision making process, should not be ignored or discarded. This is because the assessment of such basic project-level information might be considered fundamental to sound management of the Multilateral Fund.

14. In discussing these issues with relevant agencies, it became evident that the information considered important, even as part of a simplified submission, would end up including much of what is now provided in the terminal reports, thus negating the exercise. An analysis by agencies and by the Secretariat would still be required in much the same way as currently occurs. The time required for compiling and analysing the reports and plans would render impractical the

concept of annual submission of all IS renewals to a single meeting that was central to the proposed simplified concept.

15. Hence the position reached in the current analysis is that it may be preferable for the methodology for submitting and considering requests for renewal of IS funding to remain largely unchanged at the present time. Noting the need to achieve the correct balance between (a) micro-management and (b) responsible financial and programmatic review and monitoring, the Secretariat will continue to examine opportunities to fine tune the IS renewal process and could address any additional findings in the context of the review of IS funding post 2010 to be presented to the Executive Committee at the end of 2007, in accordance with decision 47/49.

Remarks to the government of the country concerned

16. However, there is scope for more advantage to be gained from one part of the renewal process arising from greater consideration being given to the information provided in country programme progress reports during consideration of IS renewal requests. Currently all renewal approvals are accompanied by a short note to the Government of the country concerned indicating that the Executive Committee has taken note of the compliance situation of the country and the actions of the NOU, and expressing support for the phase-out efforts begin undertaken. This practice was commenced after the 35th Meeting at which the concept of the remaining fundable consumption was approved, together with a 30 percent increase in IS project funding levels. A number of Committee members have indicated their satisfaction that the remarks continue to be prepared and endorsed for transmission to governments.

17. On the other hand, the contents of the remarks, while drafted to be relevant to the circumstances of the country concerned, have become substantively routine in policy terms in that they refer to the country's latest compliance status, the work done by the NOU in supervising the projects under implementation, and the promotional and awareness activities undertaken, together with the hope that good progress will be made with the remainder of the phase-out programme.

18. An opportunity exists to reconsider the remarks to governments to provide more focus on specific issues and remove the routine nature of the correspondence. This could be done by:

- (a) Basing the remarks on a careful assessment of the specific situation of the country concerned; and
- (b) Adopting a policy of writing to governments on an exceptional basis, rather than in every case, either to draw attention to issues that may require urgent attention to maintain phase-out progress or, alternatively, to comment favourably on the exceptional success or specific phase-out achievements. These could be drawn to the Committee's attention by the Secretariat as part of the IS project submissions from the relevant agency, together with appropriate draft remarks.

Coordination

19. A draft of this paper was circulated to implementing agencies for comment. UNEP, UNDP and UNIDO concur with the conclusions reached. However UNDP wished to explore whether at some future date, and on a trial basis, a simplified one-page terminal report and a

one-page plan of action could be appended to the annual country programme report to replace the current IS renewal process. The World Bank supported retention of the two-year renewal cycle. However the Bank considered that the current terminal reports and plans of action were outdated and that IS performance and the effectiveness of capacity building efforts could be obtained mainly from the country programme reports, augmented as necessary to provide the financial information on the IS project that was considered necessary to preserve accountability.

Recommendations

20. The Executive Committee may wish to consider:
- (a) Maintaining for the time being the current arrangements for submission and consideration of requests for renewal of institutional strengthening projects;
 - (b) Requesting 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 IS funding post 2010, to be presented to the Executive Committee at the end of 2007, in accordance with decision 47/49; and
 - (c) Requesting the Secretariat to provide draft remarks to the governments of those countries for which there are issues that may require urgent attention to maintain progress with phase-out and/or compliance or, alternatively, commenting favourably on exceptional successes or specific phase-out achievements.

Annex I

Decision 47/49

Following a discussion, the Executive Committee decided:

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