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

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Purpose

1. In decision 47/49, the Executive Committee decided *inter alia* “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” and that “possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined at the end of 2007.”
2. In the same decision the Committee also agreed “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.”
3. In decision 49/32, the Committee requested “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”.
4. This paper responds to the above requests. The full decisions appear in Annex I to this paper. The draft document was circulated to the implementing agencies for their comments. Their comments and suggestions were included in the revised paper to the extent possible.

Background

5. Document UNEP/OzL.Pro/ExCom/47/53 presented to the 47th Meeting provided a brief outline of the history of institutional strengthening projects under the Multilateral Fund. It was noted that institutional strengthening was an example of an addition to the Indicative List of Categories of Incremental Costs and that the Executive Committee first recognized the need to provide assistance of this nature at its 5th Meeting in November 1991, at which meeting the Committee decided to provide limited funding or assistance at a level to be agreed 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 institutional strengthening and specific implementation projects”.
6. At the same meeting, the Executive Committee indicated that the main objective of institutional strengthening was to provide necessary resources to an eligible country to enable it to “strengthen a mechanism within the country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country, as well as ensuring effective liaison between the country on the one hand, and the Executive Committee, the Fund Secretariat and the Implementing Agencies on the other.”
7. The Executive Committee has approved total funding of US \$59,171,670 plus agency support costs of US \$4,967,958 for institutional strengthening projects covering 140 Article 5 countries. In the last five years (2002-2007), during which virtually all eligible countries have been provided with institutional strengthening assistance, the total expenditure from the Multilateral Fund for renewal of institutional strengthening projects has been US \$30,496,891,

excluding agency support costs, averaging US \$5.9 million per year. The first phase of an IS project is normally approved for three years, after which each succeeding phase is renewed for two years thereafter, upon submission of a request for renewal and a terminal report on the previous phase.

8. The annexes attached to the paper for the 47th Meeting provided the background to the development of the rules and policies governing the funding of institutional strengthening projects and the funding levels of all approved institutional strengthening projects by country. They have been updated as appropriate and are presented in Annexes II, III and IV to this paper.

Discussion

Current NOU activities prior to 2010

9. The requirement for action at the national level in Article 5 countries to implement the 2010 Montreal Protocol control measures for final phase-out of CFCs, halons and CTC presents a significant challenge to National Ozone Units in many Article 5 countries over the next two years. The challenges associated with understanding and recording sectoral consumption patterns and preparing phase-out projects may now have been successfully met in many Article 5 countries. However, many Article 5 countries, particularly LVC countries, are now completing the implementation of RMPs (68 out of a total of 91 approved RMPs are reported as ongoing) and some are now implementing their final projects to ensure complete phase-out. For most LVC countries this will mean implementation of a Terminal Phase-out Management Plan (TPMP) in the refrigeration servicing sector. Out of 102 LVC countries, forty are currently implementing their TPMPs, most of these are due to be completed by end of December 2009.

10. For a number of the medium and large consuming countries, phase-out projects contained in their national phase-out and sectoral plans need to be completed as well. Article 5 countries' progress in implementing these final projects will determine their compliance with the 2010 phase-out obligations.

11. A critical part of this implementation will be the promulgation and effective enforcement of national rules to limit and eventually prohibit the import of CFCs, CTC and halons. While data provided to the Ozone Secretariat indicates that a majority of Article 5 countries have some form of import regulations in place, subsequent details provided to the Fund Secretariat in annual data reported or in the context of annual reports on project implementation, indicate that in many cases either further amendments to existing regulations are necessary (for example quota allocation) or additional practical measures are required before the regulatory regime can be effectively enforced. A majority of TPMP proposals received by the Secretariat include additional activities for strengthening of enforcement mechanisms, either through additional customs training or amendment of ODS regulations, notwithstanding that similar measures have been funded in most RMPs approved by the Executive Committee, many of which are now implemented.

12. In addition to initiating amendments to existing regulations, many Article 5 countries will also need to strengthen the enforcement of these new amendments and other currently working policies. This will mean further coordination and liaison particularly with customs, and other enforcement authorities in the country and the region to facilitate the implementation of these

regulations. The actions needed for continued monitoring are fundamental to avoiding potential illegal trade after 2010.

13. Article 5 countries also have to continue ongoing data reporting obligations, monitoring progress of their existing projects, maintaining public awareness and outreach activities, and working towards ensuring that phase out is sustained through continued dialogue and consultations with key stakeholders. Some Article 5 countries also need to accelerate ratification of the remaining Amendments to the Montreal Protocol. These activities can be expected to be the focus of the work of National Ozone Units in the short term. They will be supported by the Fund in line with decision 47/49, providing for continuity of institutional strengthening funding until 2010.

NOU activities after 2010 other than those associated with HCFC decisions taken at the 19th Meeting of the Parties

14. Following the final phase-out of CFCs, halons and CTC by 1 January 2010, as indicated in the paper presented to the 47th Meeting, Article 5 countries will need to take the necessary action to:

- (a) manage or co-ordinate management by implementing agencies of the completion (physical and/or financial) of ongoing national or sectoral phase-out projects and TPMPs, some of which may extend beyond 31 December 2009;
- (b) phase out the final 30 per cent of consumption of methyl chloroform by 1 January 2015;
- (c) phase out the final 80 per cent of consumption of MB by 1 January 2015;
- (d) manage the storage and safe disposal (including possible destruction) of unusable CFCs and halons;
- (e) meet continuing Montreal Protocol data reporting obligations and sustain the achieved phase-out of CFCs, halons and CTC; and
- (f) manage the challenges of possible illegal traffic in any remaining new CFCs, halons or CTC (noting that CTC will continue to be generated as a by-product in the production of other, non-ODS chemicals).

15. In relation to methyl chloroform (1.1.1 TCA), the quantities being consumed in Article 5 countries are already low (some 1,360 ODP tonnes reported globally under Article 7 in 2003 and 53.2 ODP tonnes in 2006). Phase-out of residual consumption has been funded in a number of low volume consuming countries through solvent sector plans and/or technical assistance programmes that are targeted principally at CTC to achieve the 2005 reduction and 2010 phase-out. The scope of any additional residual work needed post-2010 will become clear in a year or so when these projects have been completed.

16. For MB, funding has already been provided through approved, performance-based sector plans to address phase-out of some 80 per cent of the current reported MB consumption in Article 5 countries. However, challenges in sustaining decreases in consumption are becoming

evident and the pace of project development is slowing. This is shown by the number of countries that have requested a delay in their initial phase-out schedules as contained in the agreements they have signed with the Executive Committee. There may also be a period of consolidation, after which the extent of further work needed to meet the final MB phase-out schedule in the Protocol for the remaining 20 per cent of current consumption not yet addressed may become clearer. The consumption of MB for quarantine and pre-shipment (QPS) applications also needs to be monitored very closely. While this use is as yet uncontrolled under the Montreal Protocol, its increased use could be an issue of concern in future.

17. The above activities provide a strong basis for continuing to maintain funding support for IS projects after 2010, to which would be added the work associated with interventions to support new, and as yet undefined activities that will lead to the phase-out of HCFCs as indicated below.

New measures associated with the HCFC decision taken at MOP 19

18. At their 19th Meeting, the Parties to the Montreal Protocol, decision XIX/6, *inter alia*, endorsed an accelerated phase-out schedule for HCFCs (Annex V). Those parts of the relevant decision having an impact on the activities of National Ozone Units in the medium term (over the next 5 years) relate principally to:

- (a) Preparing, collecting and providing sound and comprehensive Article 7 data as a basis for establishing their national HCFC consumption baselines as the average of consumption in 2009 and 2010;
- (b) preparing to freeze HCFC consumption at the baseline level in 2013; and
- (c) developing national phase out management strategies for HCFCs in line with guidelines on HCFC projects that may be agreed by the Executive Committee.

19. The activities that may need to be undertaken share a number of features common to the initial stages of national actions on CFC phase-out, for example:

- (a) understanding and quantifying national consumption patterns;
- (b) establishing linkages with industries and industry organisations associated with the import/export and use of HCFCs;
- (c) extending regulatory measures to effectively control HCFC imports/exports;
- (d) developing/establishing the types of interventions (projects and activities) that would provide the most cost-effective initial means of curtailing increases in national HCFC consumption to enable compliance with a 2013 freeze; and
- (e) preparing national HCFC phase-out strategies that set a framework for consideration of the approval of funding for HCFC phase-out.

20. One significant difference between the initial action on CFCs and future action on HCFCs is the existence, at the commencement of the HCFC control period of National Ozone Units established and supported by the Fund in virtually all eligible Article 5 countries. This institutional infrastructure has developed methodologies and regulatory regimes for CFC phase out that can continue to encompass the necessary HCFC tasks. Channels of communication have already been established with industry associations, and implementing agencies also have well-established linkages to facilitate liaison at the government level and to deliver financial support at the enterprise level for technical and investment activities. While there are general indications, as noted above, about likely actions in relation to HCFCs, at this stage it would be premature to estimate with any specificity the scope of work that might be needed by National Ozone Units in relation to the accelerated HCFC phase-out schedule.

21. In exploring 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 as requested by the Executive Committee in decision 47/9(e), it needs to be noted that, at present, there is no specific Executive Committee guidance on priorities for initial activities and later possible projects to facilitate compliance with the new HCFC control measures, and no guidelines on incremental costs. In line with this, the 53rd Meeting of the Executive Committee will consider a paper on options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities (UNEP/OzL.Pro/ExCom/53/60). The result of this discussion could provide a clear guidance to Article 5 countries on how to proceed with such activities.

Future levels of funding to support institutional strengthening projects.

22. Previous changes to the level of support for institutional strengthening occurred in December 2001 and in July 2004. Decision 35/57 made provision for an across-the-board increase of 30 per cent in the level of funding for institutional strengthening projects. In agreeing to this increase, the Executive Committee also included a clear commitment that this level of funding should prevail for all Article 5 Parties until at least 2010, even if they agree to phase-out ODS earlier than the dates required. In recognizing the special situation of LVCs and VLVCs, decision 43/37 increased the minimum funding level of institutional strengthening projects to US \$30,000 per year provided the country concerned had legislation in place and had appointed a full time national ozone officer.

23. On average, from 2004 to 2007 (including submissions to the 53rd Meeting), about 60 countries sought IS renewals annually from the Executive Committee, which approved renewal requests for 120 countries on a regular two-year renewal period. Out of the total of 140 Article 5 countries receiving IS funding, there are around ten who have yet to request the second phase of their IS project. Some of these countries are new parties to the Montreal Protocol, having ratified only in the last 5 years or so. A few of these countries are those whose current political situation makes it difficult for them to implement these projects, while others have just not requested IS renewals for reasons unknown to the Secretariat.

24. Through decision 47/49 the Executive Committee agreed that measures already taken for the current range of tasks and the existing workloads of National Ozone Units are sufficient to enable compliance with the controls ending up to 2010. Noting the importance of the remaining activities needed to support phase-out objectives after 2010, the Committee agreed that this was

an indication for the need to continue the work of National Ozone Units beyond 2010 to sustain the CFC phase out achieved, if it can be demonstrated that the likely future tasks and workload of National Ozone Units will be of a similar order as at present. On this basis it could be considered that the financial support from the Multilateral Fund for institutional strengthening projects should be maintained post-2010, at the same funding levels for the time being.

25. The post-2010 activities needed to sustain CFC phase-out and to complete the phase-out of methyl chloroform and methyl bromide were outlined in paragraphs 14-16 above. In the medium term (three to five years) these activities appear unlikely to lead to requirements for an increase in the level of activity of NOUs in respect of these substances compared to the situation at the commencement of the compliance phase for CFCs, namely 1994-1999, and could potentially represent some decrease in the overall level of effort required.

26. As referred to in paragraphs 18-21 above, activities related to accelerated HCFC phase-out will, at the broadest level, and subject to priorities to be decided by the Executive Committee, be similar to those required in meeting CFC phase-out.

27. Therefore, while it is clear that the accelerated HCFC phase-out schedule could affect the level of NOU activity, any change will be determined only when institutional structures and new activities are developed and implemented. It may be seen at this stage as a general indication of an incremental change to the business as usual scenario prior to the 19th Meeting of the Parties. Taking into account the other NOU activities over the same period, it may be reasonable to conclude that the overall level of activities requiring institutional support will not undergo a radical change in the medium term and thus that financial support from the Fund could be continued at existing levels.

28. Another factor that could also have an impact on the current level of funding is inflation. However, inflation should be examined and evaluated in the context of the overall responsibilities associated with the IS project and other funding received for capacity building to determine whether a change to the current levels of compensation is warranted. Moreover, the varied modalities of implementing capacity building in the different Article 5 countries should also be taken into account. Therefore, the Executive Committee may consider this review and evaluation as part of the 2009 work programme for evaluation and monitoring to provide a comprehensive assessment of the need for changes to the current levels of compensation for capacity building under the Multilateral Fund.

Fine tuning the institutional strengthening renewal process

29. At this stage the Secretariat is not proposing changes to the institutional strengthening renewal process. As a separate undertaking, the draft Evaluation Programme of the Multilateral Fund for 2008 contains a proposal for a review of terminal reports and extension requests for institutional strengthening projects (UNEP/OzL.Pro/ExCom/53/10). The formats for these will be analyzed with a view to simplifying the presentation and examining possibilities for creating a web based format and data base.

Recommendations

30. The Executive Committee might wish to:
- (a) Agree to maintain post-2010 the practice of providing funding for institutional strengthening projects at existing funding levels subject to the current rules and guidelines, and to review the funding level at a future meeting once guidelines for HCFC projects are in place;
 - (b) Request the Secretariat to review possible funding arrangements and levels for capacity building, 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 that will be agreed by the Executive Committee that pertain to IS activities, and report to the Executive Committee by the last meeting of 2009.
 - (c) Request the Senior Monitoring and Evaluation Officer to include in the draft monitoring and evaluation work programme for 2009 an evaluation of institutional strengthening projects which could include:
 - (i) Analysis of the current IS renewal process and proposals for streamlining;
 - (ii) Reviewing the national institutional structures for ozone protection and how the IS project has contributed to meeting Montreal Protocol targets, and provide a report to the Executive Committee at its last meeting in 2009.

Annex I

EXECUTIVE COMMITTEE DECISIONS PERTAINING TO INSTITUTIONAL STRENGTHENING

Decision 47/49

1. 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.

Decision 49/32

2. Following a discussion, 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.

Annex II

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

1. At its 5th Meeting in November 1991, the Executive Committee agreed to provide limited funding or assistance for institutional strengthening at a level to be agreed 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 institutional strengthening and specific implementation projects”. The first funding for institutional strengthening was approved at the 7th Meeting in July 1992. At the same meeting, the Executive Committee indicated that the main objective of institutional strengthening was to provide necessary resources to an eligible country to enable it to “strengthen a mechanism within the country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country, as well as ensuring effective liaison between the country on the one hand, and the Executive Committee, the Fund Secretariat and the Implementing Agencies on the other.”

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

3. At its 30th Meeting the Executive Committee considered the final report of the 1999 evaluation of institutional strengthening projects and draft follow up action plan. In decision 30/7, (reproduced in full in Appendix 1) the Executive Committee *inter alia* urged Article 5 countries to take a number of steps to ensure the effectiveness of institutional strengthening projects. In particular, it urged “all Article 5 countries with institutional strengthening projects to ensure that:

- (a) the National Ozone Unit 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;
- (b) the National Ozone Unit's position, capacities, and continuity of officers, resources and lines of command within the authority in charge of ozone issues are such that the National Ozone Unit can carry out its task satisfactorily;
- (c) a specified high-level officer or a post within the authority is given overall responsibility for supervising the work of the National Ozone Unit and ensuring that action taken is adequate to meet commitments under the Protocol;

Annex II

- (d) necessary support structures, such as steering committees or advisory groups are established, involving other appropriate authorities, the private sector and non-governmental organizations, etc.;
- (e) 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 National Ozone Unit;
- (f) annual work plans for the National Ozone Unit are prepared and integrated in the authorities' internal planning processes;
- (g) a reliable system to collect and monitor data on ozone depleting substances imports, exports and production is established; and
- (h) 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.”

4. The Executive Committee also requested the Secretariat, in collaboration with interested Parties and the implementing agencies, to prepare general principles for agreements between governments and implementing agencies on new and renewed institutional strengthening projects which incorporated the above steps indicated as needed to ensure the effectiveness of the projects. Subsequently, at its 33rd Meeting the Executive Committee noted the proposed amendments by implementing agencies to their agreements for institutional strengthening projects and requested them to apply those new requirements in all future agreements in this area.

5. In decision 35/57, the Executive Committee decided that all institutional strengthening projects and renewals shall be approved at a level that is 30 per cent higher than the historically agreed level. The Executive Committee also indicated in the same decision that the 30 per cent 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 37/57 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 countries.

6. 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.”

7. At its 43rd Meeting the Executive Committee addressed the situation of very-low-volume-consuming countries 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).

APPENDIX A

DECISION 30/7 OF THE 30TH EXECUTIVE COMMITTEE MEETING

1. The Executive Committee, having considered the comments and recommendations of the Sub-Committee on Monitoring, Evaluation and Finance (UNEP/OzL.Pro/ExCom/30/4, para. 10), decided:

- (a) To take note of the final report on the 1999 evaluation of institutional strengthening projects and draft follow-up action plan (UNEP/OzL.Pro/ExCom/30/6 and Corr.1);
- (b) To urge all Article 5 countries with institutional strengthening projects to ensure that:
 - (i) the National Ozone Unit 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 National Ozone Unit's position, capacities, and continuity of officers, resources and lines of command within the authority in charge of ozone issues are such that the National Ozone Unit 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 National Ozone Unit 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, etc.;

- (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 National Ozone Unit;
 - (vi) annual work plans for the National Ozone Unit 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;
- (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 National Ozone Unit 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 National Ozone Unit is fully involved in the planning and preparation of projects, regularly provide National Ozone Units with information on the progress of project implementation and assist them in improving their capacity to monitor and evaluate projects implemented and their impact at the country level;
- (f) To request the implementing agencies to define a procedure to justify reallocation of funds among the budget lines of institutional strengthening projects and report to the Thirty-first 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 Thirty-first Meeting of the Executive Committee.

Annex III

MEASURES TAKEN AND EXECUTIVE COMMITTEE FUNDING PROVIDED FOR INSTITUTIONAL SUPPORT IN THE COMPLIANCE PERIOD

1. Following the entry into force of the first control measure for Article 5 Parties, the freeze in CFC consumption that commenced on 1 July 1999, the Executive Committee developed and adopted new policies and procedures designed to assist Article 5 countries to meet their Montreal Protocol obligations during the compliance period. Decision 35/57 formed the basis for funding a continuing decrease in the consumption of CFCs while providing an increased level of institutional strengthening funding guaranteed until at least 2010.
2. The Executive Committee refocused its emphasis on project approval from individual investment projects to a country driven approach based on sector and national phase-out plans. Performance guarantees were entered into and provision was made for flexibility in the allocation of funding by Article 5 countries and for the inclusion of funding of up to 10-12 per cent of total project costs for institutional measures, project management and monitoring.
3. The Executive Committee's planning process was redefined so that business plans were based on the specific, identified phase-out needs of each Article 5 country eligible for assistance from the Multilateral Fund. The Committee's operations were also streamlined to better manage its business in the compliance phase, leading to the amalgamation of the work of the Sub-Committees on Project Review and Monitoring, Evaluation and Finance into the plenary of the Executive Committee.
4. Specific decisions were taken to provide additional assistance to both low-volume consuming countries and non-low-volume consuming countries, as applicable, through:
 - (a) a minimum level of US \$30,000 per year in institutional strengthening funding under defined conditions (decision 43/37);
 - (b) technical assistance programmes for countries that had very low, and in some circumstances nil, consumption;
 - (c) provision for updates to refrigerant management plans to provide increased funding to meet CFC control measures up to and including the 2007 reduction step; and
 - (d) funding of up to US \$565,000 for terminal phase-out management plans to address the 15 per cent of CFC consumption remaining after the completion of refrigerant management plans, consistent with decision 31/48 (decision 45/54), with the provision that up to 20 per cent of approved funds should be used by the bilateral or implementing agency and/or country concerned to ensure

comprehensive annual monitoring and reporting of the TPMP (terminal phase-out management plan), including the recovery and recycling programme.

5. The above measures were adopted by the Executive Committee with the specific objective of providing the support necessary for Article 5 countries to meet all the control measures for each ODS up to and including 2010, in particular to complete phase-out of CFCs, halons and CTC, achieve a 70 per cent reduction in the consumption of methyl chloroform (1.1.1 TCA) and a 20 per cent reduction in the non-QPS consumption of methyl bromide.

6. To provide support and training for regulatory policy and implementation within the compliance period, the Executive Committee has approved:

- (a) 110 stand-alone projects in 90 countries for customs training and/or development of legislation with a total value of US \$8.83 million;
- (b) 20 RMPs in non-LVC countries;
- (c) 42 national phase-out plans for non-LVC countries;
- (d) 44 refrigerant management plans under decision 31/48 under current implementation; and
- (e) 53 total phase-out management plans in LVC countries.

7. The Executive Committee has also established the Compliance Assistance Programme, funded through, and implemented by UNEP to provide specific assistance to countries, especially lower consuming countries, to meet their compliance obligations. The CAP includes annual funding currently at the level of US \$888,000 to support the operation of eight regional networks, with one further network funded by the Government of Sweden.

Annex IV

**PROJECTS AND FUNDING LEVELS OF APPROVED INSTITUTIONAL
STRENGTHENING PROJECTS BY COUNTRY
(November 2007)**

Country	Project Cost (US \$)	Support Cost (US \$)	Total Cost (US \$)	Date of Phase I Approval	Most Recent Approved Phase	Date of Latest Phase Approved
Afghanistan	210,013	0	210,013	Jul-04	I	Nov-05
Albania	260,400	5,460	265,860	Dec-01	II	Jul-06
Algeria	901,410	50,311	951,721	Nov-93	IV	Apr-06
Angola	347,700	45,202	392,902	Nov-02	II	Nov-06
Antigua and Barbuda	127,213	4,680	131,893	Nov-98	III	Dec-04
Argentina	1,222,377	141,773	1,364,150	Jul-94	IV	Jul-05
Bahamas	153,333	6,500	159,833	May-96	III	Nov-06
Bahrain	227,200	14,300	241,500	Oct-96	IV	Nov-05
Bangladesh	480,000	55,250	535,250	Sep-94	IV	Dec-04
Barbados	341,950	29,244	371,194	Dec-94	III	Jul-05
Belize	241,900	11,505	253,405	Nov-99	III	Jul-05
Benin	219,999	15,167	235,166	Nov-95	V	Jul-06
Bhutan	130,000	0	130,000	Jul-04	I	Jul-05
Bolivia	391,207	27,604	418,811	Nov-95	V	Nov-05
Bosnia and Herzegovina	200,042	20,741	220,783	Mar-99	II	Jul-04
Botswana	168,373	11,726	180,099	Jul-94	II	Dec-03
Brazil	1,645,100	175,253	1,820,353	Jun-93	V	Jul-07
Brunei Darussalam	150,000	10,400	160,400	Nov-98	II	Jul-04
Burkina Faso	467,830	32,578	500,408	Nov-93	VII	Nov-06
Burundi	243,200	8,580	251,780	Nov-98	IV	Nov-06
Cambodia	242,667	0	242,667	Mar-02	III	Nov-05
Cameroon	654,064	48,750	702,814	Nov-93	V	Nov-05
Cape Verde	135,000	0	135,000	Mar-02	II	Nov-06
Central African Republic	175,520	9,880	185,400	Nov-95	IV	Apr-05
Chad	180,000	7,424	187,424	Jul-98	III	Nov-06
Chile	1,171,057	126,848	1,297,905	Jun-92	VII	Mar-07
China	2,519,996	284,699	2,804,695	Feb-92	VII	Nov-06
Colombia	1,568,590	173,601	1,742,191	Mar-94	VI	Jul-07
Comoros	190,426	6,023	196,449	Nov-97	V	Mar-07
Congo, Republic of the	279,401	13,633	293,034	Jul-95	V	Mar-07
Congo, DR	225,890	12,585	238,475	Mar-99	IV	Jul-07
Cook Islands	30,000	0	30,000	Dec-04	I	Nov-06
Costa Rica	815,928	90,613	906,541	Oct-92	VI	Nov-05
Cote D'Ivoire	310,650	26,560	337,210	Jul-94	III	Apr-06
Croatia	431,514	21,866	453,380	Oct-96	V	Nov-05
Cuba	699,459	74,532	773,991	Jun-93	V	Nov-05
Djibouti	168,000	0	168,000	Jul-02	II	Apr-06
Dominica	116,000	3,900	119,900	Nov-98	III	Nov-06
Dominican Republic	526,666	33,540	560,206	Jul-95	IV	Apr-06
Ecuador	533,173	32,539	565,712	Mar-93	IV	Mar-07
Egypt	1,237,335	135,668	1,373,003	Jun-93	VI	Mar-07

Country	Project Cost (US \$)	Support Cost (US \$)	Total Cost (US \$)	Date of Phase I Approval	Most Recent Approved Phase	Date of Latest Phase Approved
El Salvador	259,480	14,495	273,975	May-97	V	Jul-07
Equatorial Guinea	40,000	0	40,000	Jul-06	I	
Eritrea	40,000	0	40,000	Nov-05	I	
Ethiopia	213,232	13,104	226,336	Oct-96	IV	Nov-06
Fiji	286,820	14,277	301,097	Mar-94	V	Nov-06
Gabon	235,520	9,880	245,400	May-97	V	Nov-06
Gambia	166,773	9,126	175,899	May-96	IV	Apr-06
Georgia	298,701	19,721	318,422	Nov-97	V	Jul-07
Ghana	913,775	103,491	1,017,266	Oct-92	VII	Nov-06
Grenada	108,000	3,900	111,900	Mar-00	II	Nov-06
Guatemala	522,400	59,800	582,200	Jun-93	V	Jul-04
Guinea	219,999	15,167	235,166	Nov-95	V	Nov-06
Guinea-Bissau	150,000	0	150,000	Apr-03	II	Nov-06
Guyana	164,733	13,887	178,620	Nov-97	III	Apr-06
Haiti	250,000	0	250,000	Nov-02	II	Nov-06
Honduras	287,201	14,300	301,501	Oct-96	V	Nov-06
India	2,036,689	223,714	2,260,403	Oct-92	VI	Nov-05
Indonesia	1,274,220	135,811	1,410,031	Jun-93	V	Nov-05
Iran, Islamic Republic of	900,892	102,802	1,003,694	Oct-92	VI	Nov-06
Jamaica	271,200	20,020	291,220	Oct-96	V	Nov-05
Jordan	951,985	77,349	1,029,334	Jun-92	VII	Jul-07
Kenya	787,029	84,113	871,142	Mar-93	VI	Jul-07
Kiribati	30,666	0	30,666	Mar-02	II	Jul-06
Korea, DPR	484,704	30,888	515,592	Feb-97	IV	Nov-05
Kuwait	226,840	0	226,840	Jul-02	II	Nov-05
Kyrgyzstan	365,310	0	365,310	Jul-02	III	Nov-06
Lao, PDR	183,200	8,580	191,780	Jul-01	III	Nov-06
Lebanon	763,507	82,197	845,704	May-96	V	Nov-06
Lesotho	76,000	4,985	80,985	Oct-96	III	Apr-05
Liberia	213,033	0	213,033	Dec-03	II	Mar-07
Libyan Arab Jamahiriya	157,000	20,410	177,410	Dec-00	I	
Macedonia, FYR	621,494	66,209	687,703	Oct-96	V	Apr-06
Madagascar	191,400	9,100	200,500	Nov-99	III	Jul-06
Malawi	313,116	23,355	336,471	Mar-94	V	Nov-05
Malaysia	1,468,410	175,521	1,643,931	Mar-93	VI	Dec-04
Maldives	197,003	5,363	202,366	Mar-94	IV	Nov-06
Mali	238,021	15,167	253,188	Mar-98	IV	Nov-06
Marshall Islands	64,000	0	64,000	Mar-02	II	Nov-06
Mauritania	145,553	3,360	148,913	Sep-94	IV	Jul-06
Mauritius	110,000	6,500	116,500	Jun-93	II	Apr-05
Mexico	1,756,147	155,569	1,911,716	Jun-92	VIII	Jul-07
Micronesia, Federated States of	45,333	0	45,333	Mar-02	II	Jul-06
Moldova	288,002	10,400	298,402	Jul-98	IV	Apr-06
Mongolia	240,400	8,580	248,980	Jul-99	IV	Nov-06
Montenegro	30,000	2,250	32,250	Mar-07	I	
Morocco	334,000	23,270	357,270	May-96	II	Jul-04
Mozambique	253,280	12,012	265,292	Dec-94	III	Nov-06
Myanmar	76,000	9,880	85,880	Nov-99	I	

Country	Project Cost (US \$)	Support Cost (US \$)	Total Cost (US \$)	Date of Phase I Approval	Most Recent Approved Phase	Date of Latest Phase Approved
Namibia	216,472	13,382	229,854	Nov-95	IV	Nov-05
Nauru	30,000	0	30,000	Dec-04	I	Nov-06
Nepal	235,733	8,060	243,793	Nov-98	IV	Nov-06
Nicaragua	227,200	14,300	241,500	May-97	IV	Jul-06
Niger	304,454	22,724	327,178	Dec-94	V	Nov-05
Nigeria	1,020,000	104,000	1,124,000	Mar-93	IV	Apr-06
Niue	30,000	0	30,000	Dec-04	I	Nov-06
Oman	147,467	15,404	162,871	Dec-00	II	Jul-05
Pakistan	764,324	80,844	845,168	Sep-94	IV	Mar-07
Palau	45,333	0	45,333	Mar-02	II	Jul-06
Panama	586,500	37,375	623,875	Jun-93	IV	Dec-04
Papua New Guinea	145,493	18,914	164,407	May-96	III	Apr-06
Paraguay	167,960	14,365	182,325	Feb-97	III	Apr-03
Peru	390,210	27,559	417,769	Jul-95	III	Jul-02
Philippines	891,732	68,831	960,563	Mar-93	V	Apr-06
Qatar	153,171	15,005	168,176	Mar-99	II	Jul-06
Romania	234,077	22,383	256,460	Jul-95	II	Apr-05
Rwanda	146,600	0	146,600	Mar-02	II	Nov-06
Saint Kitts and Nevis	103,000	3,900	106,900	Feb-97	III	Nov-05
Saint Lucia	183,380	7,927	191,307	Feb-97	V	Jul-06
Saint Vincent and the Grenadines	133,430	3,939	137,369	Jul-98	III	Nov-06
Samoa	116,000	3,900	119,900	May-97	III	Nov-05
Sao Tome and Principe	130,666	0	130,666	Nov-02	II	Nov-06
Senegal	865,300	53,170	918,470	Nov-93	VI	Nov-05
Serbia	282,800	29,538	312,338	Jul-98	II	Dec-04
Seychelles	113,167	6,912	120,079	Jul-94	III	Dec-04
Sierra Leone	208,690	0	208,690	Mar-02	II	Mar-07
Solomon Islands	27,083	0	27,083	Mar-02	II	Jul-06
Somalia	52,000	0	52,000	Mar-02	I	Dec-04
Sri Lanka	763,088	84,455	847,543	Mar-94	VI	Nov-06
Sudan	538,560	51,051	589,611	Mar-94	IV	Apr-04
Suriname	183,333	0	183,333	Dec-03	II	Nov-06
Swaziland	125,664	8,752	134,416	Dec-94	II	Dec-03
Syrian Arab Republic	618,730	69,181	687,911	Jun-93	III	Apr-05
Tanzania, United Republic of	183,200	8,580	191,780	Oct-96	III	Nov-06
Thailand	1,706,670	164,667	1,871,337	Mar-93	V	Jul-07
Togo	252,000	9,100	261,100	Nov-97	IV	Nov-06
Tonga	26,266	0	26,266	Mar-02	II	Jul-06
Trinidad and Tobago	281,977	30,057	312,034	Oct-96	V	Nov-06
Tunisia	961,949	61,016	1,022,965	Oct-92	IV	Apr-06
Turkey	726,843	45,500	772,343	Oct-92	III	Dec-04
Turkmenistan	115,693	0	115,693	Jul-05	I	
Tuvalu	25,083	0	25,083	Mar-02	II	Nov-06
Uganda	64,515	8,387	72,902	Jul-94	I	
Uruguay	1,002,985	113,801	1,116,786	Jun-93	VII	Jul-06
Vanuatu	20,250	0	20,250	Mar-02	I	

Country	Project Cost (US \$)	Support Cost (US \$)	Total Cost (US \$)	Date of Phase I Approval	Most Recent Approved Phase	Date of Latest Phase Approved
Venezuela, Bolivarian Republic of	1,954,232	222,647	2,176,879	Mar-93	VIII	Jul-06
Viet Nam	677,228	41,642	718,870	Jul-95	VI	Jul-07
Yemen	512,391	30,940	543,331	Jul-98	IV	Apr-06
Zambia	191,520	16,380	207,900	Mar-93	III	Dec-04
Zimbabwe	695,600	51,885	747,485	Jul-94	V	Nov-06
Total	59,171,670	4,967,958	64,139,628			

Annex V

HCFC decision taken at the 19th Meeting of the Parties

Decision XIX/6: Adjustments to the Montreal Protocol with regard to Annex C, Group I, substances (hydrochlorofluorocarbons)

The Parties agree to accelerate the phase-out of production and consumption of hydrochlorofluorocarbons (HCFCs), by way of an adjustment in accordance with paragraph 9 of Article 2 of the Montreal Protocol and as contained in annex III to the report of the Nineteenth Meeting of the Parties,⁴¹ on the basis of the following:

1. For Parties operating under paragraph 1 of Article 5 of the Protocol (Article 5 Parties), to choose as the baseline the average of the 2009 and 2010 levels of, respectively, consumption and production; and

2. To freeze, at that baseline level, consumption and production in 2013;

3. For Parties operating under Article 2 of the Protocol (Article 2 Parties) to have completed the accelerated phase-out of production and consumption in 2020, on the basis of the following reduction steps:

(a) By 2010 of 75 per cent;

(b) By 2015 of 90 per cent;

(c) While allowing 0.5 per cent for servicing the period 2020–2030;

4. For Article 5 Parties to have completed the accelerated phase-out of production and consumption in 2030, on the basis of the following reduction steps:

(a) By 2015 of 10 per cent;

(b) By 2020 of 35 per cent;

(c) By 2025 of 67.5 per cent;

(d) While allowing for servicing an annual average of 2.5 per cent during the period 2030–2040;

5. To agree that the funding available through the Multilateral Fund for the Implementation of the Montreal Protocol in the upcoming replenishments shall be stable and sufficient to meet all agreed incremental costs to enable Article 5 Parties to comply with the accelerated phase-out schedule both for production and consumption sectors as set out above, and based on that understanding, to also direct the Executive Committee of the Multilateral Fund to make the necessary changes to the eligibility criteria related to the post-1995 facilities and second conversions;

6. To direct the Executive Committee, in providing technical and financial assistance, to pay particular attention to Article 5 Parties with low volume and very low volume consumption of HCFCs;

7. To direct the Executive Committee to assist Parties in preparing their phase-out management plans for an accelerated HCFC phase-out;

8. To direct the Executive Committee, as a matter of priority, to assist Article 5 Parties in conducting surveys to improve reliability in establishing their baseline data on HCFCs;

¹ UNEP/OzL.Pro.19/7.

9. To encourage Parties to promote the selection of alternatives to HCFCs that minimize environmental impacts, in particular impacts on climate, as well as meeting other health, safety and economic considerations;

10. To request Parties to report regularly on their implementation of paragraph 7 of Article 2F of the Protocol;

11. To agree that the Executive Committee, when developing and applying funding criteria for projects and programmes, and taking into account paragraph 6, give priority to cost-effective projects and programmes which focus on, *inter alia*:

(a) Phasing-out first those HCFCs with higher ozone-depleting potential, taking into account national circumstances;

(b) Substitutes and alternatives that minimize other impacts on the environment, including on the climate, taking into account global-warming potential, energy use and other relevant factors;

(c) Small and medium-size enterprises;

12. To agree to address the possibilities or need for essential use exemptions, no later than 2015 where this relates to Article 2 Parties, and no later than 2020 where this relates to Article 5 Parties;

13. To agree to review in 2015 the need for the 0.5 per cent for servicing provided for in paragraph 3, and to review in 2025 the need for the annual average of 2.5 per cent for servicing provided for in paragraph 4 (d);

14. In order to satisfy basic domestic needs, to agree to allow for up to 10% of baseline levels until 2020, and, for the period after that, to consider no later than 2015 further reductions of production for basic domestic needs;

15. In accelerating the HCFC phase-out, to agree that Parties are to take every practicable step consistent with Multilateral Fund programmes, to ensure that the best available and environmentally-safe substitutes and related technologies are transferred from Article 2 Parties to Article 5 Parties under fair and most favourable conditions;

Decision XIX/10: Terms of reference for the study on the 2009–2011 replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol

Recalling decisions VII/24, X/13, XIII/1 and XVI/35 on previous terms of reference for studies on the replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol, *Recalling* also decisions VIII/4, XI/7, XIV/39, and XVII/40 on previous replenishments of the Multilateral Fund,

1. To request the Technology and Economic Assessment Panel to prepare a report for submission to the Twentieth Meeting of the Parties, and to present it through the Open-ended Working Group at its twenty-eighth Meeting, to enable the Twentieth Meeting of the Parties to take a decision on the appropriate level of the 2009–2011 replenishment of the Multilateral Fund. In preparing its report, the Panel should take into account, among other things:

(a) All control measures and relevant decisions agreed by the Parties to the Montreal Protocol and the Executive Committee, including decisions agreed by the Nineteenth Meeting of the Parties and the Executive Committee at its fifty-third and fifty-fourth Meetings insofar as those decisions will necessitate expenditure by the Multilateral Fund during the period 2009–2011, including scenarios which indicate eligible incremental costs and cost-efficiencies associated with implementation by Parties operating under paragraph 1 of Article 5 of the adjustments and decisions relating to HCFCs, and, in addition, the Panel should provide indicative figures for the periods 2012–2014 and 2015–2017 in order to provide information to support a stable level of funding that would be updated prior to figures for those periods being finalized;

(b) The need to allocate resources to enable all Parties operating under paragraph 1 of Article 5 to maintain compliance with Articles 2A–2I of the Montreal Protocol and possible new agreed compliance measures relevant to the period 2009–2011 under the Montreal Protocol;

(c) Rules and guidelines agreed by the Executive Committee, up to and including its fifty-fourth Meeting, for determining eligibility for funding of investment projects (including those in the production sector), non-investment projects and sectoral or national phase-out plans;

(d) Approved country programmes;

(e) Financial commitments in 2009–2011 relating to national or sectoral phase-out plans agreed by the Executive Committee;

(f) The provision of funds for accelerating phase-out and maintaining momentum, taking into account the time lag in project implementation;

(g) Experience to date, including limitations and successes of the phase-out of ozone-depleting substances achieved with the resources already allocated, as well as the performance of the Multilateral Fund and its implementing agencies;

(h) The impact that the international market, ozone-depleting substance control measures and country phase-out activities are likely to have on the supply of and demand for ozone-depleting substances, the corresponding effects on the price of ozone-depleting substances and the resulting incremental costs of investment projects during the period under review;

(i) Administrative costs of the implementing agencies and the cost of financing the secretariat services of the Multilateral Fund, including the holding of meetings;

2. That, in undertaking this task, the Panel should consult widely with all relevant persons and institutions and other relevant sources of information deemed useful;

3. To request the Panel to provide additional information on the levels of funding required for replenishment in each of the years 2012, 2013 and 2014 and to study the financial and other implications of a possible longer replenishment period, in particular whether such a measure would provide for more stable levels of contributions;

4. That the Panel shall strive to complete its work in time to enable its report to be distributed to all Parties two months before the twenty-eighth Meeting of the Open-ended WorkingGroup;

5. To request the Panel to take into account the conclusions resulting from the study conducted by the Executive Committee pursuant to paragraph 2 of decision XVIII/9 in the event that proposals for control measures related to the subject of that study are submitted to the Ozone Secretariat.
