



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/58/48
5 June 2009

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-eighth Meeting
Montreal, 6-10 July 2009

**INSTITUTIONAL STRENGTHENING: OPTIONS FOR FUNDING AFTER 2010
(FOLLOW-UP TO DECISION 53/39 AND DECISION 57/36(b))**

This document contains three parts:

- Part I is a Note from the Secretariat with an explanation of the issue under consideration.
- Part II is an excerpt from the Report of the Fifty-seventh Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/57/69) on the agenda item 13 concerning IS funding beyond 2010.
- Part III contains a re-print of the document prepared by the Fund Secretariat “Institutional Strengthening beyond 2010: Funding and levels (follow up to decision 53/39)” (UNEP/OzL.Pro/ExCom/57/63) which was submitted to the 57th Meeting of the Executive Committee. The recommendations of the Fund Secretariat are found on page 11 of Part II.

PART I

NOTE FROM THE SECRETARIAT

Background

1. At its 57th Meeting, the Executive Committee deliberated on the policy for funding options for institutional strengthening (IS) projects beyond 2010 in response to decision 53/39. The discussion was based on an analysis prepared by the Secretariat contained in document UNEP/OzL.Pro/ExCom/57/63 presented to the 57th Meeting which set out issues and options for such continued funding.

2. There was little detailed discussion on the IS funding paper at the 57th Meeting and the document was in fact considered in the context of the outstanding policy issues related to HCFC phase-out. In these discussions, the Executive Committee decided to consider all cost parameters as a package for HCFC phase-out in order to make the required policy decisions, including the cost of IS, in an informal meeting.

3. At the informal meeting called by the Chairman of the Executive Committee there was also no substantial discussion on what to do about IS funding post 2010. The options for funding IS beyond 2010 therefore remains unresolved. The only guidance currently available is decision 57/36 in which it was agreed to continue to fund renewal requests at current levels up to December 2010 pending the Committee completing its deliberation on the IS funding issue at the 58th Meeting. The informal meeting also concluded with a request to the Secretariat to post on its Intranet for Member's comments the report of the meeting, as well as proposals for some HCFC outstanding issues.

4. With regard to the proposal for including IS funding as part of the funding package for HCFC phase out, the following is a summary of comments received from Executive Committee Members. The full text of all comments may be found in Annex I Part B of document UNEP/OzL.Pro/ExCom/58/47:

- (a) With regards to the statement that led to decision 57/36, that the informal group briefly discussed the issue of funding for institutional strengthening projects after 2010 and concluded that funding renewals for these projects should be supported up to the beginning of 2011, this view is not shared by many Article 5 members of the Executive Committee. It was their understanding that IS projects that are presented in the next meetings will continue to be approved until new funding guidelines were agreed.
- (b) Many Article 5 countries expressed concern at the possibility that funding of the NOU through IS projects, being the main backbone supporting the success of the Montreal Protocol in phasing out CFC consumption, may be reduced as they see this as having provided for the creation of offices and hiring of staff whose objectives were to deal specifically with all the issues related to the Montreal Protocol in those countries.
- (c) It is the view of these countries that the funding for the IS projects should continue at least until 2015, in order to help Article 5 countries to comply with the work load specifically associated with the first measures to phase out HCFC consumption, which includes HPMP preparation, setting the consumption baseline, and achieving the 10 per cent reduction.
- (d) These members have also indicated that, if the funding of IS is reduced and there is lack of or only partial funding available for second conversions for HCFC phase-out, Article 5 Parties will face very tough challenges to achieve the new phase-out targets, with a real risk of not being in compliance.

Outstanding issues with regard to institutional strengthening funding:

5. Noting that the Secretariat currently has no basis upon which to recommend approval of any IS renewal funding beyond 2010, the Committee may wish to continue the deliberations on funding for IS beyond 2010, taking into account the following:

- Support for establishment of and maintenance of NOUs has been generally agreed as a success story for the Fund and has made a major contribution to achievement of compliance;
- The cost of IS, at a current average of around US \$7 million per year, is modest and increases since the inception of the Fund have been minimal;
- It would appear that in one form or another, funding support for IS needs to continue to ensure all phase-out goals are achieved in a sustainable manner (including HCFCs and possible future HFCs);
- Once all phase-out goals under the Montreal Protocol have been secured, there is an expectation that Governments will eventually have to take over responsibility for managing National Ozone Units (NOUs) and to facilitate this, the gradual transfer of funding for the NOUs from the Multilateral Fund to the relevant national government should be considered;
- The only realistic option for modification of current arrangements would be for IS funding to be viewed vis-à-vis HPMP project management unit (PMU) cost, with a view to examining the re-balancing of funding between the two institutions;
- If this were to occur, the IS funding level available to national governments might not change significantly from current levels for any A5 country (and should definitely not decrease for the 95 countries currently receiving the US \$30,000 per annum minimum funding).

6. The Secretariat is re-submitting this policy paper for discussion under Agenda item 12. The Executive Committee may note that the outstanding issues related to HCFC phase-out are contained in document (UNEP/OzL.Pro/ExCom/58/47) and are being taken up under agenda 9, and are therefore not linked to this paper.

7. A decision on the above is required at the 58th Meeting to allow agencies to present renewals for 2010 onwards to the 59th Meeting.

PART II

EXCERPT FROM THE REPORT OF THE FIFTY-SEVENTH MEETING OF THE EXECUTIVE COMMITTEE (UNEP/OzL.Pro/ExCom/57/63) ON THE AGENDA ITEM 13 CONCERNING INSTITUTIONAL STRENGTHENING BEYOND 2010: FUNDING AND LEVELS (DECISION 53/39)

8. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/57/63, which contained a review of the current funding arrangements for IS and capacity building for Article 5 countries and analysed the demand for continued IS support in relation to the existing control measures of the Montreal Protocol. It also considered the implications of decision XIX/6 of the Nineteenth Meeting of the Parties, which imposed new obligations with respect to accelerated HCFC phase-out, and provided the Executive Committee with options for funding IS projects beyond 2010. The Secretariat recommended that the funding for overall IS support remain at current levels.

9. Members of the Executive Committee thanked the Secretariat for its excellent analysis, which demonstrated the importance of IS in helping NOUs conduct their work to ensure the success of the Montreal Protocol. It was therefore suggested that the amount of support should, at the very least, be maintained; it should certainly not be reduced. Several Members said that, given the important role currently played by NOUs, the crucial work ahead of them on HCFCs that might result in an increase in workload and the precarious financial climate in which they were operating, the funding levels should in fact be increased. IS was crucial for ensuring the long-term success of the Montreal Protocol in practical terms.

10. Given that IS was a policy issue that was intertwined with other policy matters, for example HCFC phase-out and funding, also under consideration at the Meeting, the Executive Committee referred the issue to the informal group set up to discuss HCFC policy issues and IS under agenda item 11(b) (see paragraph 179).

11. Taking into account the informal group's discussions, the Executive Committee was of the view that future IS 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. The issue therefore required further consideration. The informal group had not reached a conclusion on that matter, and it had been proposed that IS be considered intersessionally by Members as per decision 57/34.

12. Following the discussion, 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 (IS);
- (b) To continue to fund requests for the renewal of IS projects up to the end of December 2010 at current levels pending final resolution of the matter by the Executive Committee at its 58th Meeting; and
- (c) To request the Secretariat to continue its work on objectives, indicators and formats so that the results could be applied to requests for renewal of IS projects submitted by the countries from the beginning of 2010 onwards.

(Decision 57/36)

Part III

RE-PRINT OF UNEP/OzL.Pro/ExCom/57/63: INSTITUTIONAL STRENGTHENING BEYOND 2010: FUNDING AND LEVELS (FOLLOW-UP TO DECISION 53/39)

I. Introduction:

13. This paper has been prepared in response to decision 53/39 where the Executive Committee decided “to 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 pertaining to institutional strengthening activities to be agreed by the Executive Committee; and report to the Executive Committee by the first Meeting of 2009”. The initial basis for the information and analysis presented in this paper was document UNEP/OzL.Pro/ExCom/53/61, “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”.

14. In preparing this document, the Secretariat also took into account the findings of the evaluation of institutional strengthening (IS) projects which was presented to the 56th Meeting, as requested by the Executive Committee.

15. This paper reviews the current funding arrangements for institutional strengthening and capacity building and analyses the demand for continued IS support vis-à-vis existing control measures of the Montreal Protocol. It also considers the implications of decision XIX/6 of the Nineteenth Meeting of the Parties, which imposed new obligations with respect to an accelerated HCFC phase-out, and provides the Executive Committee with options for funding IS projects beyond 2010. Other documents and relevant decisions considered and used as reference during the preparation of this document are attached as annexes.

II. Background

16. The Executive Committee has so far approved a total funding of US \$68,242,292 plus agency support costs of US \$5,295,515 for IS projects covering 143 Article 5 countries. Between 2004 and 2008, the total expenditure from the Multilateral Fund for renewal of IS projects has been US \$28,951,612 excluding agency support costs, averaging US \$5.8 million per year. On average, a country with an approved IS project is on its 4th phase of implementation.

17. Funding for IS projects have remained at the same level since 2004. Previous changes to the level of support for IS occurred in December 2001 and in July 2004. In December 2001, decision 35/57 made provision for an across-the-board increase of 30 per cent in the level of funding for IS projects. The last increase in the level of support for IS occurred in July 2004 where the Executive Committee in recognizing the special situation of low-volume-consuming countries (LVCs) and very-low-volume-consuming countries (VLVCs), increased the minimum funding level of IS projects to US \$30,000 per year provided the country concerned had legislation in place and had appointed a full time national ozone officer decision 43/37).

18. At the 53rd Meeting, the Secretariat, in document UNEP/OzL.Pro/ExCom/53/61 drew general conclusions about the NOU activities likely to be required to comply with HCFC control measures, in relation to their current activities with CFC phase-out, which prompted the Executive Committee 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”. A summary of this paper is presented in Annex I for the Committee’s reference.

III. New activities after 2010 associated with the HCFC decisions taken by the 19th MOP and the Executive Committee

19. In the light of decision XIX/6 on accelerated HCFC phase-out, at its 54th Meeting, the Executive Committee took decisions on guidelines for HCFC phase-out management plans (HPMPs) (decision 54/39) and on funding levels for their preparation (decision 56/16). Key factors relevant to the activities of an NOU arising from these decisions are:

- Initiating the development and preparation of the full HPMP consistent with decision 54/39, which will initially be the responsibility of the NOU;
- Proceeding with development of stage 1 of an HPMP (to address the 2013 and 2015 control measures) including performance commitments;
- Determination of starting points for consumption reductions in manufacturing countries prior to approval of investment projects;
- Development and operationalisation of extended legislation, regulations and licensing systems with financial support available from both HPMP preparatory funding and HPMP project funding;
- Investigation of financial incentives and opportunities for co-financing;
- The use of existing NOU institutions and capacities to economize the phase-out of HCFCs as appropriate;
- The transfer or extent of the roles of industry associations to contribute to the HCFC phase-out;
- The totality of activities required at the country level during HPMP implementation will be divided between the NOU and a future Project Management Unit (PMU) funded under the HPMP consistent with existing approved guidelines for national phase-out plans (NPPs) and terminal phase-out management plans (TPMPs).

20. Many of the institutions and capacities essential for successful HCFC phase-out are already in place, having been developed at the country level for the CFC/CTC /halon phase-out with support from the Multilateral Fund. While some of the work required to meet HCFC control measures could be accomplished using existing institutional capacities, some aspects of HCFC phase-out may present more complex challenges. Significant factors appear to include:

- The requirement in many countries to address relatively high levels of HCFC consumption in physical terms, that is, in metric tonnes, although ODP consumption is low because of the low ODP values of most HCFCs;
- A possible high rate of increase in HCFC consumption in some countries, and the need to reduce this increase to zero within less than four years;
- The need to manage the choice of replacement refrigerants, especially when climate impacts need to be taken into consideration;
- The need to develop and implement national policies to support technology selection on a project-by-project basis according to preferences at the enterprise level, taking climate benefits into consideration;

- The need to promote and achieve stakeholder involvement in the phase-out planning process, including HPMP preparation.

21. The above factors represents a substantial challenge for the NOU, particularly because there will be no PMU during the HPMP preparation phase, during which time the legislation and policy guidelines will need to be developed. This complexity was recognised in the policy development activity that culminated in the presentation of proposed incremental cost estimates for HCFC phase-out activities to the 54th and 55th Meetings. At the 55th and 56th Meetings, the Executive Committee approved funding for the preparation of HPMPs for 115 countries.

IV. Funding of capacity building

Current funding provisions

22. Support for institutional capacity to further the objectives of the Montreal Protocol has been provided through the Multilateral Fund at a global, regional and national level. At the global level, UNEP was engaged by the Executive Committee at its 4th Meeting as an implementing agency to provide clearing-house and information exchange functions specifically to aid the building of capacities in Article 5 countries. UNEP's capacity development role expanded steadily and was formalised as the Compliance Assistance Programme (CAP) at the 35th Meeting in March 2002. The programme included support for regional networks of national ozone officers that was subsequently extended to provide regional support for NOUs of all Article 5 countries receiving assistance from the Fund. The UNEP CAP programme for 2009 was funded at a level of US \$8.49 million. One of the CAP's main priority activities is providing special assistance to countries with remaining CTC/TCA or methyl bromide consumption in order for them to meet compliance.

23. At the country level, support for the development and, in part, ongoing maintenance of ozone protection related institutional capacity in Article 5 countries has been provided by the Fund principally through NPPs, refrigerant management plans (RMP) and TPMPs, as well as directly through the funding of IS projects.

24. NPPs in larger consuming countries are directed mainly towards conversion of ODS-based manufacturing capacities. However most also contain management and monitoring funding of up to 12 percent of project costs that fund the operation of PMUs. The responsibilities of PMUs in non-LVC countries typically include, as well detailed project management functions, liaison with national stakeholders, management of development of legislation and monitoring of phase-out in close cooperation with the NOU. These and other similar activities funded through the PMU would, in the absence of such funding, normally fall solely with the NOU.

25. Many of the cost components of RMPs and TPMPs, such as development of legislation, awareness programmes and technical assistance constitute direct support for national capacities. In a TPMP, these components are typically funded within a 20 per cent allocation for the PMU. These activities have also often been supported under the umbrella of institutional strengthening and could therefore be considered as adding to the overall level of institutional support. Using these percentages, the approximate level of funding provided for institutional capacity at the country level through PMU activities in approved NPPs, RMPs and TPMPs in relevant countries is estimated at US \$45 million.

26. In regard to capacity building through IS projects, the current financial status of these projects has been updated and is contained in Annex III to this document.

Estimates of future workload and funding provisions

27. Looking to the future, the approved HPMP guidelines and funding criteria adopted by the Executive Committee in decisions 54/39 and 56/16 make provision for support for institutional capacity under the HPMP preparation, where assistance for policy and legislation is already considered. When the full HPMP is submitted for approval by the Executive Committee, additional capacity building resources will be made available through the possible funding of a PMU under each HPMP, consistent with the guidelines for national phase out plans. Within a PMU, funding will be provided, *inter alia*, for monitoring and for extending regulatory measures.

28. In this regard and on the basis of data available with the Secretariat, it could be argued that a large part of the extra HCFC workload is assumed to relate to understanding and quantifying national consumption patterns, establishing linkages with industries, extending regulatory measures, and enhancing monitoring to include HCFCs. It noted that similar activities should have occurred already for other ODS activities or are covered in HPMPs.

29. The future PMUs funded under an HPMP will not come on-stream until the HPMP commences implementation. For the next 12 to 18 months, the institutional work required to prepare for the 2013 HCFC freeze and to support preparation of the HPMP project will need to be undertaken through the resources of the NOU, supported by the implementing agency through which the preparatory funding has been made available.

30. To achieve this, the total level of funding approved by the Executive Committee for preparation of HPMPs in each country included specified funding elements to support the development of policy and legislation and for surveys and analysis of HCFC usage patterns in each country. This funding will provide direct assistance for activities that would otherwise need to be managed solely by the NOU funded from the IS project in the country concerned.

31. The link between the NOU and the PMU to be established under an HPMP should be seen in the above context. Accordingly, once PMUs have been established under an HPMP, there may be merit in exploring further the relationship between the NOU and the PMU, with a view to re-balancing the funding of institutional support between the two institutions so that Fund resources are clearly distinguished between continuing institutional support for the NOU, and those more directly related to the primary future goal of supporting the achievement of HCFC phase-out.

Situation of smaller consuming LVC countries

32. Under current Executive Committee policies, specifically decision 43/37, the minimum level of funding for NOUs for IS projects is US \$30,000 per year, provided the country concerned has import controls in place and has a full time Ozone Officer. At the present time, 93 Article 5 countries receive support for an IS project at the level of US \$30,000 per year. These countries are also implementing TPMPs and have received average once-off funding of US \$50,000 each for a PMU funded under their TPMP. Those for whom HPMP preparatory funding has been approved have also received once-off funding of either US \$20,000 or US \$45,000, depending on their HCFC consumption, for development of policy and legislation and HCFC surveys and analysis as part of the HPMP preparation funds.

V. Factors arising from the report on the evaluation of IS project presented to the 56th Meeting

33. In relation to funding levels for IS, the findings of the IS evaluation report included, *inter alia*, that:

- There is sufficient evidence that achievement of the ODS phase-out as scheduled could not have been attained without the IS projects;

- The variations between countries in terms of NOU staffing, institutional position and use of the IS budget for staff salaries, consultants, and activities are large; they reflect the situation and requirements in each country and the specific project modalities established in negotiations between the government authorities and the implementing agency;
- In very few cases not all IS funding was needed; while in many countries, NOUs claimed that IS funding was not enough to take care of particular aspects like the travel required in a large country. It was also frequently said that the real purchasing power of IS funding had declined in recent years due to inflation in the country and exchange rate variations.

34. The above findings confirm anecdotal information that it is difficult to quantify the level of the contribution to compliance made by IS projects while leaving no doubt that the projects and the funding through which they were realised have played an important role in meeting and sustaining the compliance targets of the Montreal Protocol.

35. In regard to the level of funding available for each country, the IS evaluation report considered this in relation to the initial guidance provided by the Executive Committee at its 7th Meeting. The analysis presented in the report offered a funding range that extended from US \$170,000 for LVC countries to US \$400,000 for high-volume-consuming countries for a three-year period on a case-by-case basis, with the initial focus being the baseline consumption of the country.

36. The evaluation report indicates that case-by-case basis for determination of IS funding adopted by the Executive Committee, together with variations in both funding levels and implementation modalities between countries show that it is not a practical option to attempt to either analyse or to establish IS funding levels ‘from the bottom up’ by adding together standardised cost elements. The adequacy of current funding levels ranges from more than enough in some situations; to others where NOUs believe current levels are less than sufficient.

37. The IS evaluation report also identified that many IS projects have had extensive delays, both in terms of increased duration of IS phases due to missed planned completion dates and also in terms of late submission of extension requests and consequently late approval of the following phase. The data presented in the report demonstrated that because of these delayed submissions and approval of subsequent IS phases, around US \$21.7 million of funding may have been “foregone” by these countries. This figure represents 33 per cent of the total IS funding approved.

38. In reviewing the data for these submission delays it is noted that 130 out of the total 143 countries who have received IS funding have experienced some form of delay in IS renewals. The report also clearly states that the reasons for the lag in IS renewals in most of these countries are either administrative (i.e. delays in transfer of approved funds by the implementing agencies, delays in financial reporting from the country to the implementing agency or from the implementing agency to the Secretariat), or political instability in a recipient country. In reality, many of these countries, while meeting compliance with the Montreal Protocol targets still face difficulties in implementation of their projects and therefore continue to need support for the NOU.

Objectives, expected results and possible indicators for IS projects pursuant to decision 56/6 (b)

39. In decision 56/6 (b) that resulted from the report on the IS evaluation, the Secretariat is developing a set of objectives, expected results and indicators for incorporation into future institutional strengthening extension requests, together with a set of formats for terminal reports and extension requests. It is intended to complete these activities after consultation with countries and implementing agencies, so that the resulting reporting formats can be used for IS renewal requests presented in 2010. This work is being progressed separately from preparation of this paper. There are, however, two issues that may be considered immediately as part of possible conditions for continued IS funding resulting from this paper, and these are discussed in the following paragraphs.

Effectiveness of import control measures

40. One of the key factors emerging from the recent HCFC policy papers has been that compliance with the 2013 and 2015 control measures by the majority of Article 5 countries, which have no enterprises that use HCFCs in manufacturing, may be dependent on the effectiveness of their import controls. Experience with the CFC servicing sector has shown clearly that supply side controls are essential for achieving consumption targets. The extension of effective import control measures to HCFCs will become one of the highest priorities for NOUs in the current triennium. In view of the importance of effective management of HCFC imports to compliance, a proportion of HPMP preparatory funding has been specifically allocated for review and development of policy and legislation at an early stage in the preparation of a country's strategy for management of HCFC consumption.

41. It may therefore be appropriate to include the extension of current ODS control measures to include HCFCs in the objectives of all IS project funding renewal requests. Further, it may be appropriate to include the achievement of effective control of HCFC imports among the indicators of successful IS project implementation. Noting that the HCFC consumption freeze commences in 2013, control measures will need to be in place and operational by the end of 2012. Therefore, there is a sound case for considering the achievement of this indicator to be a pre-requisite for approval of the full two-year funding for institutional strengthening renewals submitted in 2013 and later years. This policy could operate in a similar way to the non-compliance policy now applied to IS renewal projects, in which possible non-compliance typically results in approval of IS funding for only one year, pending resolution of the non-compliance issue in the Implementation Committee.

Sustainability of institutions to maintain zero consumption

42. The activities that need to currently remain part of the NOU's workload associated with ODS other than HCFCs are expected to decrease after 2010. However, the challenges of maintaining zero ODS consumption will vary from country to country and with individual substances. In many situations, the lack of any available commercial supply will ensure the success of phase-out. Nonetheless, the institutional measures put in place to achieve the phase-out and to monitor it will need to remain effective to prevent non-compliance, as well as the possibility of illegal ODS trade.

43. While the Executive Committee has indicated its intention to continue to provide support for IS projects, particularly to facilitate compliance with HCFC control measures, there could be an expectation that funding provided from the inception of the fund to develop institutional capacities at the national level may not be provided indefinitely to maintain operation of the institutions thus created. For instance, a NOU could eventually be fully incorporated into the national institution in which it is currently located, with funds for its operation considered as part of the national budget. This would also apply, as appropriate, to any functions such as monitoring ODS imports through customs agencies. These agencies should, over time, be able to continue this activity without external funding support from an IS project.

44. To this end, the objectives of IS projects could in future include measures to ensure the long term sustainability of monitoring, enforcement and reporting activities, for instance, in the form of appropriate commitments from the government concerned as a requirement for the renewal of an IS project. The indicators for achievement of this objective, such as the progressive assumption of responsibility for the funding of monitoring, enforcement and reporting functions, could be developed in the future.

Inflation

45. At the 53rd Meeting, in discussion document 56/13, the Secretariat noted the possible adverse effects of inflation and suggested that the issue could be considered in the current review. The evaluation report indicated that at the time data was gathered, in some of the countries the US dollar had fallen by 30 to 40 per cent against local currencies, which produced significant problems. In addition, several countries reported high inflation rates for the prices of local salaries, materials and services. However, it may not be practicable at the present time to attempt to quantify the effects of inflation on IS funding, but reconsideration of the issue might be appropriate in future discussions.

VI. Discussion and conclusions

46. In Section IV, an indication was provided of the various modalities through which the Multilateral Fund supports capacity building. These can be categorised broadly as global and regional initiatives, supported by the Fund principally through the UNEP CAP, and country-level initiatives funded through stand alone institutional strengthening projects, solely for capacity building, and the institutional components of RMPs, NPPs, TPMPs and most recently the preparatory funding for HPMPs. The conclusions in this paper are directed to the level of funding for capacity building at the country level.

47. As indicated in Section V, it is not a practical option to attempt to either analyse or to establish IS funding levels “from the bottom up” by adding together standardised cost elements. The adequacy of current funding levels ranges from more than enough in some situations; to others where NOUs believe current levels are less than sufficient.

48. The requirements placed on the NOU to commence and manage activities related to preparation and implementation of stage 1 HPMPs will increase the volume and/or the complexity of the NOU workload. This is offset in part by the additional support provided under the HPMP itself, assessed in dollar terms as equivalent to a 60 percent increase in IS support once the HPMP is approved and the PMU is funded. Prior to this time the preparatory institutional support activities will need to be carried out through the resources of the NOU together with the funding provided for institutional measures (policy, legislation, surveys) through HPMP project preparation funds. For non-HCFC activities, the required institutional capacities to manage the phase-out have been established in most countries and continued funding is related more to enhancement and/or support of on-going activities of an institutional nature. The financial impact of this has been assessed as an overall decrease in the funding scenario for non-HCFC activities of 10-20 per cent.

49. In decision XIX/6, the Parties agreed inter alia 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.

Funding options for renewal of institutional strengthening projects

50. On the basis of the above, and the funding stability agreed in decision XIX/6, the starting point for consideration of funding for renewal of IS projects could be that of no change to current funding levels. Other options would be a net funding increase for all IS projects, a net funding decrease for all IS projects or a re-balancing of funding between the IS project and other IS support, specifically the support to be provided through the PMU funded in an HPMP.

Maintain current levels

51. If it is accepted that IS funding will continue, for the time being at a stable level as envisaged in decision XIX/6, to be used to maintain institutional capacity as well as to develop such capacity *ab initio*, the accelerated phase-out of HCFCs will provide new challenges and additional activities that will

progressively take over from the phase-out effort for ODS other than HCFCs. The wide variation in administrative arrangements in different Article 5 countries detracts from the ability to provide accurate estimates of the variations in workload in a typical NOU office as the CFC phase-out nears completion and HCFC management activity increases. However there is no doubt that the existing NOU offices will need to continue their functions along the same broad lines that are currently in practice.

Net increase in IS funding

52. Consideration of a net increase in IS project funding may not be fully consistent with the increased level of effective IS support to be provided when HPMPs are approved and PMUs are funded. Most of the basic capabilities required to control the consumption of ODS have already been established and future institutional activities will be directed to reinforcing the effectiveness of existing monitoring and control mechanisms and extending them to HCFCs. Funding is earmarked in both HPMP project preparation and implementation to develop and implement the necessary extension of existing institutional support systems.

Net decrease in IS funding

53. Consideration of a net decrease in IS project funding may not be fully consistent with the information available as to the possible increase in the complexity of activities associated with HCFC phase-out, including the limited availability of low climate-impact alternatives in Article 5 countries, and the need to take environmental impacts such as energy and climate into account. Importantly, the HCFC freeze will effectively enter into force on 1 January 2013. Thus activities to create or extend existing institutional capacities to control HCFCs will need to be initiated without any delay and, in general, prior to the commencement of the effective operation of a PMU under an approved HPMP, which may not occur for a further twelve to eighteen months. Experience with the CFC phase-out indicates that some of the most challenging activities associated with achieving compliance at the country level take place in the years immediately prior to commencement of the first control measure for the substances concerned.

54. For the 93 countries currently receiving US \$30,000 per year under their IS projects given that the Executive Committee took decision 43/37, specifically increasing the minimum funding to this level, subject to confirmation of licensing systems and a full-time NOU, it would seem appropriate that any proposals to reduce support for an IS project or to re-balance it towards PMU support as discussed below, should not be applied to this group of countries.

Re-balancing between IS and PMU for HPMP costs

55. The re-balancing option would imply that 'core' institutional activities common to all ODS such as data reporting, import controls and effective monitoring would over time become absorbed by the relevant government authorities and would require less, and eventually nil, institutional strengthening support. Under this scenario, institutional strengthening funding would be moved to the PMU for the HPMP. Institutional strengthening support, being part of a project, would come to an end concurrently with the completion of the project, in this case, the HPMP.

56. As it stands this option requires further study as there is as yet no indication of the cost of the HPMP therefore the cost of the PMU and what it will be responsible for cannot be estimated. The Executive Committee may wish to discuss this further in the future.

Recommendations

57. The Executive Committee might wish to:

- Take note of the Secretariat's paper on review of options for possible funding arrangements and

levels for institutional strengthening as contained in UNEP/OzL.Pro/ExCom/57/63;

- Consider agreeing to maintain funding for overall institutional strengthening (IS) support at current levels;
- Consider whether it wished to request the Secretariat to examine in more detail a proposal for re-balancing institutional strengthening support towards the provision of funding through the Project Management Unit established under an HCFC phase-out management plan;
- Request the Secretariat, implementing and bilateral agencies as appropriate to include in the request for IS renewals the following indicators:
 - The achievement of effective measures to control HCFC imports, as a condition for full, two-year approval of requests for renewal of IS funding for all projects submitted after the end of 2012;
 - Specification as an objective in all IS renewal projects submitted after the end of 2009, the development of measures to ensure the long term sustainability of monitoring, enforcement and reporting activities, without ongoing support from IS funding, together with indicators for progressive achievement of this objective;
- Request the Secretariat to complete the work on objectives, indicators and formats so that the results can be applied to requests for renewal of institutional strengthening projects submitted from the beginning of 2010 onwards;
- Request the Secretariat to place consideration of a possible further review of funding for IS on the agenda of the Executive Committee at a future meeting.

Annex I

SUMMARY OF THE REPOSIBLITIES OF NATIONAL OZONE UNITS LEADING TO 2010 AND BEYOND (Document 53/61)

Discussion

In reviewing the current arrangements for institutional strengthening in the different countries, the Secretariat described the generic activities that are part of the responsibilities of the National Ozone Unit (NOU) funded under the IS as follows:

- Promulgate effective enforcement of national rules and regulations to limit and eventually prohibit the import of all ODS
- Strengthen the enforcement of the ODS licensing system through coordination and liaison with customs, and other enforcement authorities in the country and the region.
- Collect data for reporting obligations, coordinate and monitor the progress of their existing projects through liaison with project management units, maintaining public awareness and outreach activities, and working towards ensuring that phase-out is sustained through continued dialogue and consultations with key stakeholders.
- Ratify the remaining Amendments to the Montreal Protocol.
- Provide overall advice to the government and stakeholders in the country to accelerate the phase-out of ODS and meet the country's commitments under the Montreal Protocol

In order to understand the implications of the new challenges facing the NOU with regard to the new accelerated HCFC phase-out decision, their activities were classified and described under the following categories:

- Ongoing NOU activities leading up to 2010
- NOU activities after 2010 other than HCFCs

Ongoing NOU activities leading to 2010

Seventy-nine (79) LVC countries are currently completing implementation of refrigerant management plans and implementing terminal phase-out management plans. Forty NPPs and TPMPs remain to be completed in medium and large consuming countries, with completion dates ranging from end of December 2009 to December 2010. These activities were expected to be the focus of the work of National Ozone Units in the short term for substances other than HCFCs. The work would be supported by the Fund in line with decision 47/49, providing for continuity of institutional strengthening funding until 2010. In addition, each NPP and TPMP contains a funding provision for a Project Management Unit which provides support to the NOUs in the day to day monitoring of project implementation.

NOU activities after 2010 other than those associated with HCFCs

Following the final phase-out of CFCs, halons and CTC by 1 January 2010, Article 5 countries would need to take the necessary action to expedite the completion of their ongoing national or sectoral phase-out projects and TPMPs, which extended beyond 31 December 2009. These countries also need to ensure the phase-out of remaining consumption of methyl chloroform and MB by 1 January 2015, as well as manage storage and safe disposal (including possible destruction) of unusable CFCs and halons. Article 5 countries also need to meet continuing Montreal Protocol data reporting obligations and sustain the achieved phase-out of CFCs, halons and CTC and may have to face 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). These activities provided a sound basis for continuing to maintain funding support for IS projects after 2010, to which would be added the work associated with interventions to support the phase-out of HCFCs.

Annex II

EXECUTIVE COMMITTEE DECISIONS PERTAINING TO INSTITUTIONAL STRENGTHENING

Decision 47/49

Following a discussion, the Executive Committee decided:

- 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;
- 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;
- 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;
- That possible funding arrangements and levels for institutional strengthening support beyond 2010 should be examined at the end of 2007;
- 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;
- 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
- 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

Following a discussion, the Executive Committee decided:

- To maintain for the time being the current arrangements for submission and consideration of requests for renewal of institutional strengthening projects;
- 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

- 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.

Decision 53/39:

Following the discussion, the Executive Committee decided:

- 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;
- 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 be agreed by the Executive Committee and to report to the Executive Committee by the first Meeting of 2009.

Decision 56/6:

The Executive Committee decided:

- To take note of the final report on the evaluation of institutional strengthening projects as presented in document UNEP/OzL.Pro/ExCom/56/8;
- To request:
 - 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;
 - 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;
 - 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;
 - 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;
 - 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;

- 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
- UNEP to develop a training module on policy and technical issues related to the reduction of HCFCs, with technical inputs from the other implementing agencies, for briefings of national ozone units during network meetings.

Annex III

**FINANCIAL STATUS OF INSTITUTIONAL STRENGTHENING PROJECTS
(December 2008)**

| 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 | 359,987 | 0 | 359,987 | Jul-04 | III | Nov-07 |
| Albania | 369,600 | 5,460 | 375,060 | Dec-01 | III | Apr-08 |
| Algeria | 901,409 | 50,311 | 951,720 | Nov-93 | IV | Apr-06 |
| Angola | 347,700 | 45,202 | 392,902 | Nov-02 | II | Nov-06 |
| Antigua and Barbuda | 127,187 | 4,680 | 131,867 | Nov-98 | III | Dec-04 |
| Argentina | 1,533,747 | 165,116 | 1,698,863 | Jul-94 | V | Nov-07 |
| Bahamas | 153,333 | 6,500 | 159,833 | May-96 | III | Nov-06 |
| Bahrain | 287,200 | 14,300 | 301,500 | Oct-96 | V | Nov-07 |
| Bangladesh | 610,000 | 65,000 | 675,000 | Sep-94 | V | Nov-07 |
| Barbados | 341,950 | 29,244 | 371,194 | Dec-94 | III | Jul-05 |
| Belize | 318,600 | 11,505 | 330,105 | Nov-99 | IV | Nov-07 |
| Benin | 279,999 | 15,167 | 295,166 | Nov-95 | VI | Nov-08 |
| Bhutan | 190,000 | 0 | 190,000 | Jul-04 | II | Nov-07 |
| Bolivia | 470,074 | 27,604 | 497,678 | Nov-95 | VI | Nov-07 |
| Bosnia and Herzegovina | 200,042 | 20,741 | 220,783 | Mar-99 | II | Jul-04 |
| Botswana | 246,546 | 11,726 | 258,272 | Jul-94 | III | Nov-07 |
| 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 | 540,240 | 32,578 | 572,818 | Nov-93 | VIII | Nov-08 |
| Burundi | 243,200 | 8,580 | 251,780 | Nov-98 | IV | Nov-06 |
| Cambodia | 355,334 | 0 | 355,334 | Mar-02 | IV | Nov-07 |
| Cameroon | 793,596 | 48,750 | 842,346 | Nov-93 | VI | Nov-07 |
| 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 | 240,000 | 7,424 | 247,424 | Jul-98 | IV | Nov-08 |
| Chile | 1,171,057 | 126,848 | 1,297,905 | Jun-92 | VII | Mar-07 |
| China | 2,909,996 | 313,949 | 3,223,945 | Feb-92 | VIII | Nov-08 |
| 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 | 279,401 | 13,633 | 293,034 | Jul-95 | V | Mar-07 |
| Cook Islands | 45,000 | 0 | 45,000 | Dec-04 | II | Nov-07 |
| Costa Rica | 952,578 | 100,649 | 1,053,227 | Oct-92 | VII | Nov-07 |
| Cote D'Ivoire | 416,990 | 26,560 | 443,550 | Jul-94 | IV | Nov-07 |
| Croatia | 519,221 | 21,866 | 541,087 | Oct-96 | VI | Nov-08 |
| Cuba | 848,525 | 85,712 | 934,237 | Jun-93 | VI | Nov-07 |
| Democratic People's Republic of Korea | 614,704 | 30,888 | 645,592 | Feb-97 | V | Nov-07 |
| Democratic Republic of the Congo | 225,890 | 12,585 | 238,475 | Mar-99 | IV | Jul-07 |
| Djibouti | 168,000 | 0 | 168,000 | Jul-02 | II | Apr-06 |

| Country | Project Cost (US \$) | Support Cost (US \$) | Total Cost (US \$) | Date of Phase I Approval | Most Recent Approved Phase | Date of Latest Phase Approved |
|----------------------------------|----------------------|----------------------|--------------------|--------------------------|----------------------------|-------------------------------|
| Dominica | 176,000 | 3,900 | 179,900 | Nov-98 | IV | Nov-08 |
| Dominican Republic | 660,998 | 33,540 | 694,538 | Jul-95 | V | Nov-08 |
| Ecuador | 621,573 | 39,169 | 660,742 | Mar-93 | IV | Nov-08 |
| Egypt | 1,342,319 | 136,829 | 1,479,148 | June-93 | VII | Nov-08 |
| El Salvador | 289,480 | 14,495 | 303,975 | May-97 | V | Nov-08 |
| Equatorial Guinea | 40,000 | 0 | 40,000 | Jul-06 | I | |
| Eritrea | 80,000 | 0 | 80,000 | Nov-05 | I | Apr-08 |
| Ethiopia | 213,232 | 13,104 | 226,336 | Oct-96 | IV | Nov-06 |
| Fiji | 346,820 | 14,277 | 361,097 | Mar-94 | VI | Nov-08 |
| Gabon | 295,520 | 9,880 | 305,400 | May-97 | VI | Nov-08 |
| Gambia | 226,773 | 9,126 | 235,899 | May-96 | V | Apr-08 |
| Georgia | 298,701 | 19,721 | 318,422 | Nov-97 | V | Jul-07 |
| Ghana | 1,051,743 | 113,792 | 1,165,535 | Oct-92 | VIII | Nov-08 |
| Grenada | 108,000 | 3,900 | 111,900 | Mar-00 | II | Nov-06 |
| Guatemala | 647,200 | 59,800 | 707,000 | Jun-93 | VI | Nov-07 |
| Guinea | 279,999 | 15,167 | 295,166 | Nov-95 | VI | Nov-08 |
| 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 | 287,199 | 14,300 | 301,499 | Oct-96 | V | Nov-06 |
| India | 2,409,919 | 251,706 | 2,661,625 | Oct-92 | VII | Apr-08 |
| Indonesia | 1,545,465 | 156,154 | 1,701,619 | Jun-93 | VI | Nov-07 |
| Iran (Islamic Republic of) | 1,158,439 | 122,041 | 1,280,480 | Oct-92 | VII | Nov-08 |
| Iraq | 60,000 | 0 | 60,000 | Apr-08 | I | |
| Jamaica | 331,200 | 20,020 | 351,220 | Oct-96 | VI | Jul-08 |
| Jordan | 951,985 | 77,349 | 1,029,334 | Jun-92 | VII | Jul-07 |
| Kenya | 862,862 | 84,113 | 946,975 | Mar-93 | VI | Jul-08 |
| Kiribati | 60,666 | 0 | 60,666 | Mar-02 | II | Nov-07 |
| Kuwait | 332,160 | 0 | 332,160 | Jul-02 | III | Nov-07 |
| Kyrgyzstan | 481,140 | 0 | 481,140 | Jul-02 | IV | Jul-08 |
| Lao People's Democratic Republic | 243,200 | 8,580 | 251,780 | Jul-01 | IV | Nov-08 |
| Lebanon | 918,597 | 93,829 | 1,012,426 | May-96 | VI | Nov-08 |
| Lesotho | 136,000 | 4,985 | 140,985 | Oct-96 | IV | Nov-07 |
| Liberia | 213,033 | 0 | 213,033 | Dec-03 | II | Mar-07 |
| Libyan Arab Jamahiriya | 157,000 | 20,410 | 177,410 | Dec-00 | I | |
| Madagascar | 191,400 | 9,100 | 200,500 | Nov-99 | III | Jul-06 |
| Malawi | 379,849 | 23,355 | 403,204 | Mar-94 | VI | Nov-07 |
| Malaysia | 1,747,910 | 196,484 | 1,944,394 | Mar-93 | VII | Nov-07 |
| Maldives | 257,003 | 5,363 | 262,366 | Mar-94 | V | Nov-08 |
| Mali | 298,698 | 15,167 | 313,865 | Mar-98 | V | Nov-08 |
| Marshall Islands | 94,000 | 0 | 94,000 | Mar-02 | II | Nov-07 |
| Mauritania | 145,553 | 3,360 | 148,913 | Sep-94 | IV | Jul-06 |
| Mauritius | 170,000 | 6,500 | 176,500 | Jun-93 | III | Nov-07 |
| 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 |

| Country | Project Cost (US \$) | Support Cost (US \$) | Total Cost (US \$) | Date of Phase I Approval | Most Recent Approved Phase | Date of Latest Phase Approved |
|---|----------------------|----------------------|--------------------|--------------------------|----------------------------|-------------------------------|
| Mongolia | 300,398 | 8,580 | 308,978 | Jul-99 | V | Jul-08 |
| Montenegro | 90,000 | 6,750 | 96,750 | Mar-07 | I | Jul-08 |
| Morocco | 490,000 | 23,270 | 513,270 | May-96 | III | Nov-07 |
| Mozambique | 253,280 | 12,012 | 265,292 | Dec-94 | III | Nov-06 |
| Myanmar | 76,000 | 9,880 | 85,880 | Nov-99 | I | |
| Namibia | 276,472 | 13,382 | 289,854 | Nov-95 | V | Nov-07 |
| Nauru | 45,000 | 0 | 45,000 | Dec-04 | II | Nov-07 |
| Nepal | 295,733 | 8,060 | 303,793 | Nov-98 | V | Nov-08 |
| Nicaragua | 227,200 | 14,300 | 241,500 | May-97 | IV | Jul-06 |
| Niger | 369,281 | 22,724 | 392,005 | Dec-94 | VI | Nov-07 |
| Nigeria | 1,280,000 | 123,500 | 1,403,500 | Mar-93 | V | Apr-08 |
| Niue | 90,000 | 0 | 90,000 | Dec-04 | II | Nov-07 |
| Oman | 215,934 | 20,539 | 236,473 | Dec-00 | III | Nov-08 |
| Pakistan | 876,456 | 89,248 | 965,704 | Sep-94 | IV | Nov-07 |
| Palau | 75,333 | 0 | 75,333 | Mar-02 | II | Nov-07 |
| Panama | 586,500 | 37,375 | 623,875 | Jun-93 | IV | Dec-04 |
| Papua New Guinea | 205,493 | 26,714 | 232,207 | May-96 | IV | Apr-08 |
| Paraguay | 227,960 | 14,365 | 242,325 | Feb-97 | IV | Nov-07 |
| Peru | 390,210 | 27,559 | 417,769 | Jul-95 | III | Jul-02 |
| Philippines | 1,072,865 | 82,416 | 1,155,281 | Mar-93 | VI | Apr-08 |
| Qatar | 151,956 | 14,914 | 166,870 | Mar-99 | II | Jul-06 |
| Republic of Moldova | 357,336 | 10,400 | 367,736 | Jul-98 | V | Apr-08 |
| 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 | 243,380 | 7,927 | 251,307 | Feb-97 | VI | Jul-08 |
| Saint Vincent and the Grenadines | 133,430 | 3,939 | 137,369 | Jul-98 | III | Nov-06 |
| Samoa | 176,000 | 3,900 | 179,900 | May-97 | IV | Nov-07 |
| Sao Tome and Principe | 130,666 | 0 | 130,666 | Nov-02 | II | Nov-06 |
| Saudi Arabia | 300,000 | 0 | 300,000 | Nov-07 | I | |
| Senegal | 1,017,400 | 53,170 | 1,070,570 | Nov-93 | VII | Nov-07 |
| Serbia | 282,800 | 29,538 | 312,338 | Jul-98 | II | Dec-04 |
| Seychelles | 173,167 | 6,912 | 180,079 | Jul-94 | IV | Nov-07 |
| Sierra Leone | 294,490 | 0 | 294,490 | Mar-02 | III | Apr-08 |
| Solomon Islands | 57,083 | 0 | 57,083 | Mar-02 | II | Nov-07 |
| Somalia | 52,000 | 0 | 52,000 | Mar-02 | I | Dec-04 |
| Sri Lanka | 897,144 | 94,509 | 991,653 | Mar-94 | VII | Jul-08 |
| Sudan | 538,560 | 51,051 | 589,611 | Mar-94 | IV | Apr-04 |
| Suriname | 183,333 | 0 | 183,333 | Dec-03 | II | Nov-06 |
| Swaziland | 185,664 | 8,752 | 194,416 | Dec-94 | III | Nov-07 |
| Syrian Arab Republic | 618,730 | 69,181 | 687,911 | Jun-93 | III | Apr-05 |
| Thailand | 1,706,670 | 164,667 | 1,871,337 | Mar-93 | V | Jul-07 |
| The Former Yugoslav Republic of Macedonia | 621,494 | 66,209 | 687,703 | Oct-96 | V | Apr-06 |
| Timor Leste | 40,000 | 0 | 40,000 | Nov-08 | I | |
| Togo | 312,666 | 9,100 | 321,766 | Nov-97 | V | Nov-08 |
| Tonga | 56,266 | 0 | 56,266 | Mar-02 | II | Nov-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 |
|------------------------------------|----------------------|----------------------|--------------------|--------------------------|----------------------------|-------------------------------|
| Trinidad and Tobago | 281,977 | 30,057 | 312,034 | Oct-96 | V | Nov-06 |
| Tunisia | 1,209,219 | 79,561 | 1,288,780 | Oct-92 | V | Jul-08 |
| Turkey | 726,843 | 45,500 | 772,343 | Oct-92 | III | Dec-04 |
| Turkmenistan | 222,693 | 1,125 | 223,818 | Jul-05 | II | Apr-08 |
| Tuvalu | 55,083 | 0 | 55,083 | Mar-02 | II | Nov-08 |
| Uganda | 64,515 | 8,387 | 72,902 | Jul-94 | I | |
| United Republic of Tanzania | 183,200 | 8,580 | 191,780 | Oct-96 | III | Nov-06 |
| Uruguay | 1,153,785 | 125,111 | 1,278,896 | Jun-93 | VIII | Nov-08 |
| Vanuatu | 27,000 | 0 | 27,000 | Mar-02 | II | Apr-08 |
| Venezuela (Bolivarian Republic of) | 2,238,731 | 243,931 | 2,482,662 | Mar-93 | IX | Nov-08 |
| Vietnam | 677,228 | 41,642 | 718,870 | Jul-95 | VI | Jul-07 |
| Yemen | 681,609 | 30,940 | 712,549 | Jul-98 | V | Nov-07 |
| Zambia | 191,520 | 16,380 | 207,900 | Mar-93 | III | Dec-04 |
| Zimbabwe | 695,600 | 51,885 | 747,485 | Jul-94 | V | Nov-06 |
| Grand Total | 70,012,750 | 5,457,101 | 75,469,851 | | | |

Annex IV

HCFC DECISIONS TAKEN AT THE 19TH MEETING OF THE PARTIES AND AT THE MEETINGS OF THE EXECUTIVE COMMITTEE

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;
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

¹ UNEP/OzL.Pro.19/7.

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 53/37: Funding HCFC production phase-out

At the conclusion of the discussion on options for assessing and defining eligible incremental costs for HCFC consumption and production phase-out activities, the Executive Committee decided:

- That ratification of or accession to the Copenhagen Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the consumption of HCFCs;
- That ratification of or accession to the Beijing Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the production of HCFCs;
- That, in the case of a non-signatory country, the Executive Committee might consider providing funding for conducting an HCFC survey and the preparation of an accelerated HCFC phase-out management plan, with the commitment of the government to ratify or accede to the necessary Amendment and on the understanding that no further funding would be available until the Ozone Secretariat had confirmed that the government had ratified or acceded to that Amendment, through the deposit of its instrument in the Office of the United Nations Headquarters in New York;
- That the existing policies and guidelines of the Multilateral Fund for funding the phase-out of ODS other than HCFCs would be applicable to the funding of HCFC phase-out unless otherwise decided by the Executive Committee in light of, in particular, decision XIX/6 of the Nineteenth Meeting of the Parties;
- That institutions and capacities in Article 5 countries developed through Multilateral Fund assistance for the phase-out of ODS other than HCFCs should be used to economize the phase-out of HCFCs, as appropriate;
- That stable and sufficient assistance from the Multilateral Fund would be provided to guarantee the sustainability of such institutions and capacities when deemed necessary for the phase-out of HCFCs;
- That the production sector sub-group would be reconvened at the 55th Meeting to consider issues pertaining to the phase-out of HCFC production, taking into account decision XIX/6 of the Nineteenth Meeting of the Parties and the following issues, as well as further elaboration and analysis of those issues to be prepared by the Secretariat in consultation with technical experts:
 - The continued applicability of the current approach to funding HCFC production phase-out being based on the assumption of plant closures;
 - The timing of funding HCFC production phase-out in view of the long duration between the HCFC freeze in 2013 and the final phase-out in 2030, taking into consideration that production and consumption phase-out could take place simultaneously;
 - The eligibility of the CFC/HCFC-22 swing plants in view of the commitment in the CFC production phase-out agreement not to seek funding again from the Multilateral Fund for closing down HCFC facilities that use the existing CFC infrastructure;
 - The cut-off date for funding eligibility of HCFC production phase-out;

- Other measures that could facilitate management of HCFC production phase-out; and
- Other issues related to the HCFC production sector, taking in account subparagraph (g)(ii) above.
 - That the Secretariat would work with the implementing agencies to examine the existing guidelines for country programmes and sector plans (decision taken at the 3rd Meeting of the Executive Committee and decision 38/65), and propose draft guidelines to the 54th Meeting for the preparation of HCFC phase-out management plans incorporating HCFC surveys, taking into consideration comments and views relating to such guidelines expressed by Executive Committee members at the 53rd Meeting and the submissions to the 54th Meeting referred to in paragraph (l) below, and that the Executive Committee would do its utmost to approve the guidelines at its 54th Meeting;
 - That the Secretariat, in consultation with technical experts with knowledge of experiences in Article 5 countries with different levels of development and non-Article 5 countries, would prepare by 25 March 2008 a preliminary discussion document providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out, taking into account the views expressed by Executive Committee Members in the submissions referred to in paragraph (l) below, and including:
 - Information on the cost benchmarks/ranges and applicability of HCFC substitute technologies; and
 - Consideration of substitute technologies, financial incentives and opportunities for co-financing which could be relevant for ensuring that the HCFC phase-out resulted in benefits in accordance with paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
 - That the current classifications of low-volume-consuming (LVC) countries and small and medium-sized enterprises (SMEs) should be maintained until the cost-effectiveness thresholds of HCFC phase-out had been developed and the potential impact of those thresholds on LVC countries and SMEs had become better known. It would then be possible to review those classifications including a classification for very low-volume consuming countries, and current policies and funding arrangements targeting those countries and enterprises;
 - To note that the following cut-off dates for funding HCFC phase-out had been proposed:
 - 2000 (Cap of HCFC production/consumption in one major country);
 - 2003 (Clean Development Mechanism);
 - 2005 (proposal for accelerated phase-out of HCFCs);
 - 2007 (Nineteenth Meeting of the Parties);
 - 2010 (end of the baseline for HCFCs);
 - Availability of substitutes;
 - As a matter of priority, and taking into account paragraphs 5 and 8 of decision XIX/6 of the Nineteenth Meeting of the Parties, to invite Executive Committee Members to submit their views on the following issues to the Secretariat, by 15 January 2008, with the

understanding that the Secretariat would make the submissions available to the 54th Meeting:

- Elements the Secretariat should consider in the draft guidelines for the preparation of national HCFC phase-out management plans;
 - Cost considerations to be taken into account by the Secretariat in preparing the discussion document referred to in paragraph (i) above;
 - Cut-off date for funding eligibility; and
 - Second-stage conversions;
- To approve 2008 expenditure of up to US \$150,000 to cover the costs of consultations with technical experts and other stakeholders required for the preparation of the documents referred to in the present decision.

Decision 54/39: Draft guidelines for the preparation of HCFC phase-out management plans incorporating HCFC surveys (decision 53/37(h))

After having considered the revised text submitted by the contact group, the Executive Committee decided to adopt the following guidelines:

- Countries should adopt a staged approach to the implementation of an HCFC phase-out management plan (HPMP), within the framework of their over-arching-strategy;
- As soon as possible and depending on the availability of resources, countries should employ the guidelines herein to develop, in detail, stage one of the HPMPs, which would address how countries would meet the freeze in 2013 and the 10 per cent reduction in 2015, with an estimate of related cost considerations and applying cost guidelines as they were developed;
- The elaboration of stage one of the HPMP and subsequent stages should be developed as follows:
 - For countries with consumption in the servicing sector only:
 - To be consistent with existing guidelines for the preparation of RMPs/RMP updates pursuant to decisions 31/48 and 35/57; and, if applicable, with the preparation of TPMPs pursuant to decision 45/54;
 - To contain commitments to achieve the 2013 and 2015 HCFC control measures and include a performance-based system for HPMPs based on the completion of activities in the HPMP to enable the annual release of funding for the HPMP;
 - For countries with manufacturing sectors using HCFCs, HPMPs should contain a national performance-based phase-out plan (NPP) with one or several substance or sector-based phase-out plans (SPP) consistent with decision 38/65 addressing consumption reduction levels sufficient to achieve the 2013 and 2015 HCFC control measures and provide starting points for aggregate reductions, together with annual reduction targets;
- For countries that chose to implement investment projects in advance of completion of the HPMP:

- The approval of each project should result in a phase-out of HCFCs to count against the consumption identified in the HPMP and no such projects could be approved after 2010 unless they were part of the HPMP;
- If the individual project approach was used, the submission of the first project should provide an indication of how the demonstration projects related to the HPMP and an indication of when the HPMP would be submitted;
 - Consideration should be given to providing funding for assistance to include HCFC control measures in legislation, regulations and licensing systems as part of the funding of HPMP preparation as necessary and confirmation of the implementation of the same should be required as a prerequisite for funding implementation of the HPMP;
 - In cases where there were multiple implementing agencies in one country, a lead agency should be designated to coordinate the overall development of stage one of the HPMP;
 - HPMPs should contain cost information at the time of their submission based on and addressing:
 - The most current HCFC cost guidelines at the time of submission;
 - Alternative cost scenarios based on different potential cut-off dates for new capacity if a specific cut-off date had not yet been decided, for funding eligibility of manufacturing facilities as specified in decision 53/37(k), as well as the current policy for a 25 July 1995 cut-off date;
 - Alternative cost scenarios for the operational and capital costs for second conversions;
 - The incremental costs of regulating import and supply to the market of HCFC dependent equipment once proven alternatives were commercially available in the country and describing the benefits to the servicing sector of associated reduced demand;
 - Cost and benefit information based on the full range of alternatives considered, and associated ODP and other impacts on the environment including on the climate, taking into account global-warming potential, energy use and other relevant factors;
 - Countries and agencies were encouraged to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
 - HPMPs should address:
 - The use of institutional arrangements mentioned in decision 53/37(e) and (f);
 - The roles and responsibilities of associations of refrigeration technicians and other industry associations and how they could contribute to HCFC phase-out; and
 - HPMPs should, as a minimum, fulfil the data and information requirements, as applicable, listed in the indicative outline for the development of HPMPs, as set out in Annex XIX to the present report.

Decision 56/16: Cost structure for determining funding levels for preparation of HCFC investment and associated activities

On the basis of the text proposed by the contact group, the Executive Committee decided:

- To note document UNEP/OzL.Pro/ExCom/56/13 regarding a cost structure for determining funding levels for preparation of HCFC investment and associated activities (decision 55/13(d));
- To define the elements of a cost structure for funding the preparation of an overall HCFC phase-out management plan (HPMP) in line with decision 54/39 and comprising several components as follows:
 - Assistance for policy and legislation, e.g. to develop new or extend existing legislation regarding HCFC, products containing HCFCs, quotas, and licences;
 - Survey of HCFC use and analysis of data;
 - Development and finalization of the HPMP including its stage one to address the 2013 and 2015 control measures, the latter being akin to a terminal phase-out management plan (TPMP) or a refrigeration service sector plan;
 - Development of investment activities for the HCFC-consuming manufacturing sectors for stage one of an HPMP, if such activities were necessary;
- To provide funding for elements (b)(i) to (iii) above as specified in the table below, based on the countries' HCFC consumption for 2007, while applying decision 55/13(a), (b) and (c):

| Group according to consumption pattern | Funding for above components (b)(i) to (iii) |
|--|---|
| Countries with zero consumption of HCFC | US \$30,000 |
| Countries with consumption only of HCFC-22, or consumption below 6 ODP tonnes/year | US \$85,000 |
| Countries with medium consumption, between 6 ODP tonnes/year and 100 ODP tonnes/year | US \$150,000 |
| Countries with consumption higher than 100 ODP tonnes/year | US \$195,000 |

- To limit the maximum funding provided for the element (b)(iv) of the HPMP for any country with a manufacturing sector using HCFCs as per the following table based on the countries' HCFC consumption for 2007, on the understanding that those limits represented maximum amounts and requests for project preparation would have to justify the level of funding up to that amount, and on the understanding that preparation costs for demonstration projects according to decision 55/43 paragraphs (b) to (f) were not taken into account when calculating that level of funding;

| Consumption limit (ODP tonnes) | Investment preparation limit |
|---------------------------------------|-------------------------------------|
| Up to 100 | \$100,000 |
| 101 –300 | \$200,000 |
| 301-500 | \$250,000 |
| 501 – 1,000 | \$300,000 |
| 1,001 and above | \$400,000 |

- To define five manufacturing sub-sectors as follows: air-to-air air conditioning systems; refrigeration (including all refrigeration, heat pumps and air conditioning sub-sectors except air-to-air air conditioning systems); polyurethane foam; extruded polyurethane (XPS) foam; and solvent uses in manufacturing;
- To provide funding for the element (b)(iv) of the HPMP for countries with manufacturing capacity up to a maximum specified below, to be determined by the total number of enterprises to be converted under HPMP stage one in the relevant sub-sector as defined under paragraph (e) above, excluding those enterprises with demonstration projects that might be chosen by the Executive Committee according to decision 55/43, paragraphs (b) to (f):
 - One enterprise to be converted in a manufacturing sector: US \$30,000;
 - Two enterprises to be converted in a manufacturing sector: US \$60,000;
 - Three to 14 enterprises to be converted in a manufacturing sector: US \$80,000;
 - Fifteen or more enterprises to be converted in a manufacturing sector: US \$150,000;
- That in the case where Parties wish to submit requests for preparation of sub-sector plans in the approved sectors, the total funding available for all sub-sector plans in each sector should not exceed US \$150,000;
- Not to apply the provisions in subparagraphs (c), (e) and (f) above to China;
- To request that for demonstration projects, according to decision 55/43 paragraphs (b) to (f), the request for preparation funds should include specification of country, sector, brief description of the project, approximate ODP tonnes phase-out to be achieved, the enterprise(s) to be addressed, if relevant, and the date when they began operation, reference to the relevant sub-paragraph of decision 55/43, and a description of compelling reasons as to why the Executive Committee should choose this project as described in decision 55/43 (b). Funding could be provided up to the following levels:
 - Stand-alone demonstration projects (55/43) in a manufacturing sector, per project: US \$30,000;
 - Umbrella demonstration projects (55/43) with three to 14 beneficiaries in one manufacturing sector, per umbrella project: US \$80,000;
 - Projects addressing 15 or more beneficiaries could not receive preparation funding for demonstration projects related to decision 55/43; and
- To request the Secretariat to apply this cost structure when assessing the eligibility for funding of the different elements of the HPMP preparation, and to propose adjustments to the structure, in particular with regard to investment and associated activities, to the Executive Committee when necessary.

