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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-seventh Meeting  
Montreal, 21-25 November 2005

**PRELIMINARY RESULTS OF AN ANALYSIS OF POSSIBLE FURTHER ACTION  
AND POLICIES REQUIRED TO ASSIST COMPLIANCE WITH ALL ODS  
PHASE-OUT REQUIREMENTS, INCLUDING THE REVIEW OF INSTITUTIONAL  
STRENGTHENING PROJECTS ENVISAGED UNDER DECISION 35/57  
(FOLLOW-UP TO DECISION 45/55)**

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### Purpose

1. At its 44<sup>th</sup> Meeting, following consideration of an informal paper prepared by the representative of China on enhancing capacity building in National Ozone Units (NOUs) of Article 5 countries in the final stages of the Montreal Protocol's compliance period, the Executive Committee decided that some representatives would work on the issue intersessionally and submit a revised paper to the 45<sup>th</sup> Meeting (decision 44/64).
2. At its 45<sup>th</sup> Meeting the Executive Committee considered a supplementary paper prepared by the Government of China (UNEP/OzL.Pro/ExCom/45/47) and, in decision 45/55, requested the Secretariat to expand on the paper from China and to present to the 47<sup>th</sup> Meeting the preliminary results of an analysis of possible further action and policies required to assist compliance with the phase-out requirements for all the ODS covered by the Montreal Protocol, including the review of institutional strengthening projects envisaged under decision 35/57.
3. This paper responds to the requirements of the above decisions.

### Institutional strengthening

4. Institutional strengthening is an example of an addition to the Indicative List of Incremental Costs. The preambular paragraph to the categories of incremental costs adopted by the Parties notes that if incremental costs other than those mentioned in the Indicative List are identified and quantified, the Executive Committee will determine their eligibility. The Indicative List did not include a provision for financing institutional strengthening projects in Article 5 countries.
5. The Executive Committee first recognised the need to provide assistance of this nature at its 5<sup>th</sup> Meeting in November 1991, at which it agreed 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". The first funding for institutional strengthening was approved at the 7<sup>th</sup> 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."
6. The Executive Committee has approved total funding of US \$48,140,850 plus agency support costs of US \$4,543,817 for institutional strengthening projects covering 137 of the 138 Article 5 countries eligible to receive assistance from the Multilateral Fund. (Funds for start up costs for institutional strengthening for Eritrea are being requested at the 47<sup>th</sup> Meeting). The total expenditure from the Multilateral Fund for renewal of institutional strengthening projects over the five-year compliance period 1999 to 2004 is US \$26,211,858, excluding agency support costs, corresponding to an average of US \$5,242,372 per year.

7. The development of rules and policies governing the funding of institutional strengthening projects is presented in Annex I to this paper. A table indicating the projects and funding levels of approved institutional strengthening projects by country appears in Annex II.

Supplementary paper from the Government of China to the 45<sup>th</sup> Meeting

8. In its paper, reproduced at Annex III, the Government of China identified the following challenges that it considered would be encountered in achieving the complete phase-out of CFCs and halons by 2010:

- (a) the dependency of phase-out on government action and enforcement of legislation;
- (b) lack of full development of industry structure for production of ODS substitutes;
- (c) shortages of both CFCs and substitutes could encourage illegal production and trade; and
- (d) the desire of post-1995 enterprises to continue using their existing CFC-based equipment will prolong CFC demand.

9. The Government of China also noted that Article 5 countries were ill prepared for the CFC phase-out in terms of policy, management and technologies, resulting in the higher cost and lower efficiency of activities implemented prior to 1997 and indicated that there was a need to learn from this experience since:

- (a) the levels of production and consumption of HCFCs could exceed significantly those of CFCs; and
- (b) the phase-out of HCFCs would not have the benefit of financial support and technological transfer supported by the Multilateral Fund as in the case of CFCs.

10. In the light of the above, the Government of China suggested:

- (a) the Executive Committee should review upcoming compliance requirements, orientation and tasks and the adaptability of existing working procedures and operational mechanisms;
- (b) there should be a study on the needs for further changes and adjustments to the responsibilities, functions and modus operandi of the Secretariat, the Executive Committee, the various implementing agencies and the NOUs;
- (c) issues such as NOU capacity-building and status of work should be on the agenda of each meeting of the Executive Committee as an important item;
- (d) Article 5 countries should be supported to further strengthen their policies and laws and regulations for compliance through special training courses and information communication and exchange;

- (e) preparations for achieving the 2016 freeze target and the subsequent phase-out of HCFCs should be included in the agenda of the Executive Committee; and
- (f) there should be consideration of a window within the Multilateral Fund for:
  - (i) development of laws and policies for HCFCs production and consumption control and management,
  - (ii) capacity-building for various institutions,
  - (iii) development of substitute technologies and the expansion of production capability of substitutes.

### Discussion

#### *The situation prior to 2010*

11. 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.

12. 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 percent of total project costs for institutional measures, project management and monitoring.

13. 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.

14. 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 percent 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 percent 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.

15. 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 percent reduction in the consumption of methyl chloroform (1.1.1 TCA) and a 20 percent reduction in the non-QPS consumption of methyl bromide.

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

- 102 stand-alone projects in 89 countries for customs training and/or development of legislation with a total value of US \$8.83 million;
- six RMPs in non-LVC countries;
- 31 national phase-out plans for non-LVC countries;
- 64 refrigerant management plans under decision 31/48;
- 25 total phase-out management plans in LVC countries.

17. 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.

*The situation after 2010*

18. Following the final phase-out of CFCs, halons and CTC by 1 January 2010, Article 5 countries will need to take the necessary action to:

- (a) phase out the final 30 percent of consumption of methyl chloroform by 1 January 2015;
- (b) phase out the final 80 percent of consumption of MB by 1 January 2015;
- (c) meet the first compliance obligation in relation to the control measures for HCFCs (freeze on 1 January 2016) and the consumption phase-out in 2040;

- (d) manage the 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;
- (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); and
- (g) monitor the completion (physical and/or financial) of implementation of ongoing national or sectoral phase-out projects.

19. 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 ODP tonnes reported globally up to mid-September 2004). Phase-out of residual consumption has been funded in a number of small-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 later in the current decade when these projects have been completed.

20. For MB, funding has already been provided through approved, performance-based sector plans to address phase-out of over 80 percent 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. There may 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 percent of current consumption not yet addressed may become clearer.

21. In regard to HCFCs, the Executive Committee provided the first funding to address HCFC issues at the 43<sup>rd</sup> Meeting with approval of a policy study for development of a suitable strategy for the long-term management of HCFCs, in particular HCFC-22, in China at a cost of US \$300,300 (decision 43/19). The study was approved on an exceptional basis and the results were to be utilized to assist the management of HCFCs in China and in other Article 5 countries. An informal advisory group was formed to monitor or guide progress. The only other HCFC projects funded by the Executive Committee are HCFC surveys for 12 countries which were approved at the 45<sup>th</sup> Meeting. At the 46<sup>th</sup> Meeting, eight additional requests for HCFC surveys were deferred, with the understanding that they could be resubmitted in the context of 2006 business plans.

22. In approving the China HCFC policy study in decision 43/19, the Executive Committee indicated that it expected to use the results of that study to provide information that might assist in developing views on the nature of, and priority for, other assistance in the management and /or phase-out of HCFCs. The results of the China policy study are planned to be available in the first half of 2006. The extent and nature of 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 could be considered in the light of the results of this study after it has been examined and assessed by the Executive Committee.

23. Regarding unusable or unwanted ODS and destruction issues, a paper has been presented to the present meeting on this subject (UNEP/OzL.Pro/ExCom/47/56). It proposes terms of reference for a study, as requested by the Executive Committee at its 46<sup>th</sup> Meeting. If proceeded with, the study may provide some guidance as to the likely timing and extent of any Multilateral Fund involvement in destruction and associated management activities.

24. The Executive Committee considers the status of data reporting prior to approval of funding for renewal of each institutional strengthening project. It is evident that most data reporting is now well managed by almost all Article 5 countries. At this stage it is not possible to predict the extent of market availability of non-recycled CFCs and/or CTC after 2010, which would otherwise help to define the challenge of maintaining compliance after the final phase-out date.

25. For HCFCs, MB and methyl chloroform at least, current data reporting obligations will continue for future years after 2010. It is for consideration whether the institutional strengthening assistance provided to date, and in the future up to 2010, should be taken as sufficient to establish a capacity for data reporting, or whether the permanent data reporting requirement can be considered as justifying the continuation of financial support for an ongoing task.

26. Many on-going national or sectoral phase-out projects contain funding tranches extending until 2010. Implementation times of two to three years per tranche are likely to result in both physical and financial implementation activities continuing for two to three years after 2010. These activities are likely to require continued monitoring at the national level.

27. The activities discussed above that arise from obligations under the Montreal Protocol after 2010 appear to indicate that:

- (a) there may be a need for continued institutional support; and
- (b) there is currently insufficient information to determine the level of financial support for institutional strengthening that may be required.

*Administration of institutional strengthening projects*

28. The requirements pertaining to submission of requests for renewals of institutional strengthening (IS) projects were established in decision 19/29. That is, renewals are for two years, and requests for renewals are accompanied by a report on progress and an articulated plan of future actions. The formats for the report and the action plan were agreed between implementing agencies and the Secretariat and have been in use for a number of years.

29. In addition to progress reports submitted every two years for IS renewals, national ozone units submit annually a report on progress with implementation of country programmes. This report was revised at the 46<sup>th</sup> Meeting to provide a comprehensive overview of progress with

overall phase-out in a country, particularly for countries with an RMP. It now includes reporting on institutional aspects such as legislation and enforcement of import quotas. While further analysis is needed, the information provided in the new annual reports now covers many of the areas reported on in the IS progress reports received every second year.

30. Additionally, the requirement for progress reports and action plans as a precondition for renewal of IS projects was put in place prior to the Executive Committee's commitment in decision 35/57 that institutional strengthening would continue until at least 2010, even if a country should phase-out early. Thus, while submission of a report and action plan is a precondition of renewal, provided the country has submitted all data reports and does not appear to be at risk of non-compliance, the content of the submission has little bearing on an approval decision.

31. Under current procedures, the Secretariat draws to the attention of the Executive Committee anomalies in data reporting or in prospects for compliance. However in the absence of data reporting or compliance issues and, provided the country and implementing agency have submitted the appropriate documentation of any other unanticipated policy issues renewal requests are submitted for blanket approval.

32. There appears to be scope to amend and simplify arrangements for IS renewals to make use of the new country programme progress reporting procedures and to reflect the commitment to continued IS funding up to 2010. The annual report on progress with implementation of country programmes could be used as the basis for assessing progress with IS activities as well as progress with implementation of RMPs. If this were done, institutional strengthening funding could be provided on an annual basis, after review of the country programme progress report, and without any separate reporting mechanism. Similarly most countries already have either an RMP, an RMP update, a TPMP or a national phase-out plan which are all reported on annually. These reports would appear to obviate the need for an action plan to be submitted with each IS renewal request.

33. Some detailed aspects remain to be addressed, including whether any minor supplementation to the annual country programme progress report would be needed, for instance to make reference to the administrative arrangements under which the NOU operates in the country in question. It would also be necessary to examine the timing of renewals in the annual meeting cycle, since currently renewals are submitted to each of the three Executive Committee meetings of the year. These aspects could be further examined by the Secretariat and a report provided to the 49<sup>th</sup> Meeting for a decision to be taken at that time.

### **Conclusions and recommendations**

34. The Executive Committee might wish to:

- (a) note that in the compliance period specific measures have been taken to provide additional, and guaranteed institutional support and to re-focus the work of the Executive Committee on facilitating compliance; and

- (b) agree that the measures already taken constitute 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.

35. The Executive Committee might also wish to:

- (a) note that the anticipated actions required by Article 5 countries to meet compliance obligations after 2010 provide an indication that funding support for IS may need to be continued after 2010;
- (b) decide that possible funding arrangements and levels for IS support beyond 2010 should be examined at the end of 2007; and
- (c) decide to explore the extent and nature of 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.

36. The Executive Committee might further wish to request the Secretariat, in consultation with the implementing agencies, to prepare for the 49<sup>th</sup> Meeting a paper examining the relative merits of replacing the current requirements for submission of requests for renewal of an IS project with a simplified arrangement that would make use of the report on progress with implementation of country programmes 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.



Annex I

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

1. At its 5<sup>th</sup> Meeting 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 7<sup>th</sup> 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 19<sup>th</sup> 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 30<sup>th</sup> 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;

- (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 consultation 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 33<sup>rd</sup> 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 percent higher than the historically agreed level. The Executive Committee also indicated in the same decision that the 30 percent increase in the level of institutional strengthening funding “should prevail until 2005 when it should again be reviewed. This proposal would also include a clear commitment that this level of institutional strengthening [funding] or a level close to it should prevail for all Article 5 Parties until at least 2010, even if they should phase out early”. Because institutional strengthening and other non-investment activities contribute to reductions in the use of ODS, decision 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 43<sup>rd</sup> 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 I

**DECISION 30/7  
OF THE 30<sup>TH</sup> EXECUTIVE COMMITTEE MEETING**

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.

**(Decision 30/7)**

## Annex II

**PROJECTS AND FUNDING LEVELS  
OF APPROVED INSTITUTIONAL STRENGTHENING PROJECTS BY COUNTRY**

Country	US \$		
	Project cost	Support cost	Total cost
Afghanistan	60,000	-	60,000
Albania	151,200	5,460	156,660
Algeria	644,010	50,311	694,321
Angola	213,300	27,730	241,030
Antigua and Barbuda	127,200	4,680	131,880
Argentina	1,222,377	141,773	1,364,150
Bahamas	93,333	6,500	99,833
Bahrain	167,200	14,300	181,500
Bangladesh	480,000	55,250	535,250
Barbados	341,950	29,244	371,194
Belize	241,900	11,505	253,405
Benin	159,999	15,167	175,166
Bhutan	130,000	-	130,000
Bolivia	312,340	27,604	339,944
Bosnia and Herzegovina	205,333	21,450	226,783
Botswana	168,373	11,726	180,099
Brazil	1,294,100	148,928	1,443,028
Brunei Darussalam	150,000	10,400	160,400
Burkina Faso	395,420	32,578	427,998
Burundi	183,200	8,580	191,780
Cambodia	130,000	-	130,000
Cameroon	514,532	48,750	563,282
Cape Verde	75,000	-	75,000
Central African Republic	175,520	9,880	185,400
Chad	120,000	7,800	127,800
Chile	891,232	105,861	997,093
China	2,129,996	255,449	2,385,445
Colombia	1,292,990	152,931	1,445,921
Comoros	130,426	6,023	136,449
Congo	219,401	13,633	233,034
Congo, DR	161,350	12,585	173,935
Cook Islands	15,000	-	15,000
Costa Rica	677,934	80,403	758,337
Cote D'Ivoire	257,480	26,560	284,040
Croatia	343,807	21,866	365,673
Cuba	550,393	63,352	613,745
Djibouti	90,000	-	90,000
Dominica	56,000	3,900	59,900
Dominican Republic	392,333	33,540	425,873
Ecuador	444,773	25,909	470,682

## Annex II

Country	US \$		
	Project cost	Support cost	Total cost
Egypt	1,008,460	118,544	1,127,004
El Salvador	229,480	14,495	243,975
Ethiopia	153,232	13,104	166,336
Fiji	196,820	14,277	211,097
Gabon	175,520	9,880	185,400
Gambia	106,773	9,126	115,899
Georgia	238,034	15,171	253,205
Ghana	774,675	93,058	867,733
Grenada	48,000	3,900	51,900
Guatemala	522,400	59,800	582,200
Guinea	159,999	15,167	175,166
Guinea-Bissau	90,000	-	90,000
Guyana	108,400	14,092	122,492
Haiti	150,000	-	150,000
Honduras	227,200	14,300	241,500
India	1,663,459	195,722	1,859,181
Indonesia	1,003,060	115,479	1,118,539
Iran	727,381	89,788	817,169
Jamaica	211,200	20,020	231,220
Jordan	804,652	66,299	870,951
Kenya	711,668	84,175	795,843
Kiribati	23,000	-	23,000
Korea, DPR	361,152	30,888	392,040
Kuwait	121,520	-	121,520
Kyrgyzstan	249,480	-	249,480
Lao, PDR	123,200	8,580	131,780
Lebanon	608,417	70,565	678,982
Lesotho	76,000	6,500	82,500
Liberia	127,820	-	127,820
Libya	157,000	20,410	177,410
Macedonia	488,954	56,285	545,239
Madagascar	130,700	9,100	139,800
Malawi	246,383	23,355	269,738
Malaysia	1,468,410	175,521	1,643,931
Maldives	137,003	5,363	142,366
Mali	177,344	15,167	192,511
Marshall Islands	34,000	-	34,000
Mauritania	98,444	3,367	101,811
Mauritius	110,000	6,500	116,500
Mexico	1,513,377	137,654	1,651,031
Micronesia	34,000	-	34,000
Moldova	218,668	10,400	229,068
Mongolia	180,400	8,580	188,980
Morocco	334,000	23,270	357,270
Mozambique	172,480	12,012	184,492
Myanmar	76,000	9,880	85,880

Country	US \$		
	Project cost	Support cost	Total cost
Namibia	156,472	13,382	169,854
Nauru	15,000	-	15,000
Nepal	175,733	8,060	183,793
Nicaragua	167,200	14,300	181,500
Niger	239,627	22,724	262,351
Nigeria	760,000	84,500	844,500
Niue	15,000	-	15,000
Oman	147,467	15,405	162,872
Pakistan	652,091	72,426	724,517
Palau	34,000	-	34,000
Panama	586,500	37,375	623,875
Papua New Guinea	85,493	11,114	96,607
Paraguay	167,960	14,365	182,325
Peru	390,210	33,371	423,581
Philippines	710,599	55,246	765,845
Qatar	112,950	12,237	125,187
Romania	233,937	22,383	256,320
Rwanda	86,600	-	86,600
Saint Kitts and Nevis	43,000	3,900	46,900
Saint Lucia	123,380	7,927	131,307
Saint Vincent and the Grenadines	73,430	3,939	77,369
Sao Tome and Principe	70,000	-	70,000
Senegal	713,200	53,170	766,370
Serbia and Montenegro	282,800	29,543	312,343
Seychelles	113,167	6,912	120,079
Sierra Leone	111,800	-	111,800
Solomon Islands	20,250	-	20,250
Somalia	52,000	-	52,000
Sri Lanka	629,032	74,401	703,433
Sudan	538,560	51,051	589,611
Suriname	110,000	-	110,000
Swaziland	125,664	8,752	134,416
Syria	618,381	69,180	687,561
Tanzania	123,200	8,580	131,780
Thailand	1,360,002	138,667	1,498,669
Togo	191,334	9,100	200,434
Tonga	19,700	-	19,700
Trinidad and Tobago	221,977	25,557	247,534
Tunisia	714,679	42,471	757,150
Turkey	726,843	45,500	772,343
Turkmenistan	115,693	-	115,693
Tuvalu	17,500	-	17,500
Uganda	64,515	8,387	72,902
Uruguay	852,185	102,491	954,676
Vanuatu	20,250	-	20,250

## Annex II

<b>Country</b>	<b>US \$</b>		
	<b>Project cost</b>	<b>Support cost</b>	<b>Total cost</b>
Venezuela	1,668,752	201,236	1,869,988
Vietnam	558,272	41,642	599,914
Western Samoa	56,000	3,900	59,900
Yemen	342,000	30,940	372,940
Zambia	191,520	16,380	207,900
Zimbabwe	547,358	51,885	599,243
<b>Total</b>	<b>48,140,850</b>	<b>4,543,817</b>	<b>52,684,667</b>

## **CONTINUE WORKING FOR THE GLOBAL SUCCESS OF THE MONTREAL PROTOCOL**

**(A supplementary paper submitted by the Government of China under Agenda Item 10)**

### **I. Success to date**

1. There is no doubt that implementation of the Montreal Protocol has been successful in the past 15 years and part of that success is attributable to the creation of the Multilateral Fund which has assisted in the efforts of the Article 5 countries in complying with the Montreal Protocol commitments. Data available to-date shows that the majority of Article 5 countries have been able to freeze their production and consumption of CFCs and halons, the two widely-used ODS in 1999 and, are well on their way to achieving the 50 per cent reduction target this year. The new modality of funding national and sector phase-out programmes has introduced predictability on funding levels and phase-out schedules of Article 5 countries.

2. The success of the Montreal Protocol is a concrete embodiment of the principle of common but differentiated responsibility of developed and developing countries in the protection of the global environment. This global co-operation has contributed to the smooth and co-ordinated functioning of the multiple of institutions associated with the Montreal Protocol: the Meeting of the Parties, the Executive Committee, the Secretariat, the four implementing agencies and the national ozone units in Article 5 countries. Of particular significance is the harmonious and cooperative spirit within the Executive Committee which has enabled the body to operate with efficiency and accomplishment.

### **II. Future challenges**

3. In spite of the achievement to date, there is no reason that we should indulge in self gratification and fail to see the challenges ahead.

II.1 In achieving the complete phase-out of CFCs and halons by 2010, the Article 5 countries are still facing the following challenges:

- In most countries, investment-induced ODS phase-out activities have either been completed or nearing completion. Increasingly ODS phase-out activities will depend on the capacity of enforcement of legislation, supervision and management by governments of Article 5 countries.
- For the past decade, most of the funding from the Multilateral Fund has been supporting the phase-out of ODS in the consumption sectors and has not been directly supporting the production of ODS substitutes. As a result, the entire industry structure based on ODS substitutes in Article 5 countries has yet to be fully developed to compete with and take over from the ODS based production infrastructure. This could potentially delay the achievement of the zero consumption target in 2010.
- The reduced availability of CFCs and the lagging behind in the supply of the substitutes could result in increased prices of CFCs and a higher incentive for illegal

production and trade of the controlled substances and jeopardise the final phase of the implementation of the Montreal Protocol.

- Since funding has been provided only to enterprises which were set up before 25 July 1995, those enterprises which were created after 1995 could potentially continue producing with ODS-based technologies till 2015 to take advantage of the full lifespan of their equipment and create a need for CFCs post phase-out. These enterprises could pose a challenge to the management of achieving complete phase-out.

II.2 Assuming that the schedule of HCFC phase-out remains as it is, Article 5 countries will have to freeze their production and consumption of HCFCs in 2016. Since it is only 10 years from now, there are some issues that should be considered right now:

- Experience of phasing out CFCs prior to 1997 showed Article 5 countries were ill prepared in terms of policy, management and technologies and resulted in higher cost and lower efficiency in the activities implemented in those early years. There is every reason to learn from that experience and improve on the plans for the phasing out of HCFCs. This acquires greater urgency in view of the fact.
- That the production and consumption of HCFCs could exceed significantly those of CFCs.
- That the phase-out of HCFCs would not have the benefit of financial support and technological transfer supported by the Multilateral Fund as in the case of CFCs.

### **III. Major policies and measures the Chinese Government intends to adopt**

4. To prepare itself for the future challenges of completing the national phase-out programme, the Government of China has planned a number of steps:

- Use the newly created country compliance centers (CCCC) to re-enforce and co-ordinate the national phase-out programme.
- Further develop the legal and regulation setup, with particular emphasis on strengthening and improving the “Four-tier Licensing System”, which covers production, consumption, marketing and import and export of the ODS.
- Accelerate the phase-out of CFCs to 30 June 2007, to discourage the continued dependence on CFCs.
- Accelerate and expand the development of ODS substitute technologies and the build up of the production capacity for ODS substitutes.
- Establish HCFCs monitoring and management working groups together with the related sectors, develop strategies and plans, and develop work plans for such areas as

policy- and regulation-building, substitute technology development and production, and capacity development for an institutional management system. All this will be undertaken with the aim of making adequate preparations for HCFCs phase-out activities, so as to make sure that the 2016 freeze target will be achieved successfully and the phase-out tasks after 2016 will be achieved.

#### **IV. Suggestions to the Executive Committee of the Multilateral Fund**

5. Evidently the above challenges are not unique to China but are faced by all Article 5 countries. The Executive Committee is the place where these challenges should be debated and solutions sought. That is why China has submitted this supplementary paper in addition to the CRP paper submitted to the 44<sup>th</sup> Meeting in an attempt to initiating discussion on these issues. As a start, China suggests the following:

- (a) The Executive Committee should review upcoming compliance requirements, orientation and tasks and the adaptability of existing working procedures and operational mechanisms. On that basis there should be a study on the needs for further changes and adjustments to the responsibilities, functions and modus operandi of the Secretariat, the Executive Committee, the various implementing agencies and the NOUs.
- (b) Issues such as NOU capacity-building and status of work should be on the agenda of each meeting of the Executive Committee as an important item. Article 5 countries should be supported and facilitated as they further strengthen their policies and laws and regulations for compliance, so as to strengthen the capacity of their governments on compliance monitoring and management. At the same time, in order to enhance the role of the Secretariat, UNEP and the regional networks, special training courses should be strengthened and information communication and exchange should be expanded.
- (c) As an important integral part of the Montreal Protocol, preparations for achieving the 2016 freeze target and the subsequent phase-out of HCFCs should enter as an important item into the agenda of the Executive Committee. There should be consideration of a window within the Multilateral Fund for supporting, facilitating, organizing and guiding, as well as helping Article 5 countries to make good use of the ten available years to be prepared for HCFCs phase-out related work. This could include the development of laws and policies for HCFCs production and consumption control and management, capacity-building for various institutions, the development of substitute technologies and the expansion of production capability of substitutes, so that, by the year 2016 and in the ensuing years, the tasks for compliance in terms of HCFCs freeze target and phase-out would be successfully accomplished without the support from the Multilateral Fund. This would be the last journey towards the overall achievement of the historical mission of the Montreal Protocol, to ensure the successful achievement of the 2016 freeze and the subsequent phase-out of HCFCs.

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