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Executive Committee of
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Implementation of the Montreal Protocol

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Montreal, 8-10 May 1996

Corrigendum

GUIDELINES FOR RENEWAL OF INSTITUTIONAL STRENGTHENING PROJECTS

Page 2, paragraph 4:	**Replace** 5,000-10,000 for Category 2 **with** 1,000-10,000 **Replace** less than 5,000 for Category 3 **with** less than 1,000
Page 4, paragraph 13:	**Replace** the sentence: "The survey showed that most countries had direct responsibility for collecting consumption data." **with:** "The survey showed that most NOUs have direct responsibility for collecting consumption data."
Part II	**Replace** pages 7 to 11 **with** the following pages 7 to 12

Part II

SECOND PHASE OF INSTITUTIONAL STRENGTHENING

23. The review of the first phase of the institutional strengthening shows a varying degree of need for continued support. While in some countries project approvals could reach their peak levels within the next two to three years accompanied by a period of project implementation and monitoring, other countries may experience a decreasing degree of project development. In the latter countries, activities would relate more to project implementation and monitoring. This means that resource demand for institutional strengthening of countries in the second phase could differ from year to year depending mainly on human resources required for activities such as data collection, project monitoring, etc. Consequently long term extensions in the second phase may not be appropriate.

24. During the first phase creation of awareness at the strategic/national level was considered important for the promotion of the phase-out activities. The effort to create awareness was supported or facilitated by other national and regional activities supported by the Fund, including seminars and workshops organized by UNEP and UNDP with the support of other implementing agencies, and regional networks of ODS officers organized by UNEP. Undoubtedly, these activities will continue to be supported by the Fund and they will continue to enrich and provide technical back-stopping for national experts and ozone officers. In the second phase, therefore, attention should focus on countries with significant phase-out specific activities where the need for funding to facilitate project development, implementation or monitoring for ODS phase-out is felt the most.

25. It may be recalled that the Parties at their 7th Meeting in Decision VII/22, Annex V, Action 7 requested the implementing agencies to review institutional strengthening experience and present a combined paper to the Executive Committee which will include guidelines on the possible proportionate commitment of Article 5 countries in such areas as financial, organizational and human resource support, with a view to enhancing effectiveness of ODS phase-out strategies.

Requests for Renewal of Institutional Strengthening

26. Thus far four countries have applied for renewals and/or extension of their institutional strengthening projects. Three of the requests, i.e. those of Egypt, Mexico and Venezuela have already been approved for a six-month period in the first instance. Funds approved were based on the original approvals pro-rated for six months. Table 1 below shows the requests for renewals/extensions of the first phase of the institutional strengthening that have already been made to the Executive Committee (17th to 19th Meetings) or were included in the responses to the institutional strengthening questionnaires.

Table 1: Estimated Resources Required for Renewal/Extension of Institutional Strengthening as Contained in Responses to the Questionnaire

Country	Amount Approved in first phase (US $)	Amount Requested for Extension (US $)	Period of Extension (years)
China	450,000	1,161,870	3
Colombia	317,790	250,000	2
Egypt	263,450	194,700	2
Ghana	160,000	37,000	1
India	430,600	515,000	3
Jordan	170,000	231,000	3
Malaysia	322,520	440,000	3
Mexico	350,000	95,000	1
Thailand	400,000	90,000	2
Tunisia	280,000	298,000	4
Uruguay	173,800	29,000	0.5
Venezuela	329,192	326,208	3

27. The requests for extensions or renewals range from one year to three years, and in a few cases with possibility for requests for further three year extensions. The amounts requested are mainly for personnel, where in a few cases of the large consumers, the number of staff and corresponding costs are increased and operational costs remain almost the same, when compared with their budgets of the first phase.

Funding of Second Phase of Institutional Strengthening

28. The factors which were taken into consideration in developing the guidelines for funding of the second phase included the following:

- The varying degrees of need for continued support.
- The requirement to match resources to actual needs.
- Accountability and performance of supported units.
- The need to manage resources for promoting actual elimination of ODS.
- The need to optimize the use of Fund resources for project development, implementation and monitoring.
- The impact of the technical backstopping provided to Article 5 countries through UNEP's clearing house mechanism and networking activities.

29. Account was also taken of Decision VII/22, Annex V, Action 7 of the 7th Meeting of the Parties. It was assumed that the implementing agencies would submit their report to the Executive Committee by its 21st Meeting.

30. Another rationale for the proposed guidelines was to achieve a phase-down rather than sudden curtailment of the support, particularly in countries with minimal levels of activity. This could provide a necessary transition period for governments to review and if necessary absorb some of the operations within its machinery.

31. On the basis of the above considerations, the following guidelines were proposed:

Guidelines for the Funding of Second Phase of Institutional Strengthening

32. Countries may be classified into the following categories for purposes of determining the levels of funding. Classification of each country at the time of the request will be done by the Fund Secretariat in consultation with the implementing agency responsible for the institutional strengthening and will be subject to confirmation by the Executive Committee.

(a) Categories of Countries

Category I:	Very low volume ODS consuming countries where there has not been any significant investment projects, but main activity has been refrigeration servicing
Category II:	Low volume ODS consuming countries where most of the investment projects have been developed and are under implementation and remaining activity is refrigeration servicing.
Category III:	Medium volume ODS consuming countries where significant level of project development has been achieved, i.e. 60-70 per cent of required investment activities has been developed and where implementation is ongoing.
Category IV:	Large ODS consuming countries where significant portion of required investment projects remains to be developed and implemented.

(b) Basis of Definition of Categories

The assessment of the volume of activity for the purpose of defining the category of a country will be based on the country programme or its update where it has been updated, report on the progress of implementation of the country programme and the latest consumption data reported to the Ozone Secretariat in accordance with Article 7 of the Montreal Protocol.

33. Pending completion of Action 7 of Annex V to Decision VII/22 of the 7th Meeting of the Parties, the Executive Committee may wish to consider the following proposals for the extension/renewal and funding of institutional strengthening. The proposals are based on the above classification of countries.

(a) Category I Countries

In cases, where the country determines and justifies the need for extension at the completion of the project, and demonstrates actual effectiveness in the use of funds, an amount not exceeding the equivalent of one year's portion of current financial support, excluding the cost of equipment, may be approved within the work programme of the implementing agency responsible for institutional strengthening project for further support on a one-off basis. Where such request has not been made, the project may be considered to have ended.

(b) Category II Countries

For this category of countries, further funding may be provided for one year on a one-off basis. Funding may be based on the current level of annual personnel cost and 50 per cent of the annual operational cost.

(c) Category III Countries

Extension may be given for one year in the first instance, renewable for a further one year. Funding for the first year may be based on the current personnel cost and 75 per cent of the operational cost, while that of the second year may be based on 60 per cent of the personnel cost and 50 per cent of the operational cost. Where the need for further extensions beyond two years arise, these may be based on 50 percent of personnel cost and 50 per cent of operational cost. Extensions beyond the two year limit may be based on needs justified in the Terminal Report and Action Plan. The cost calculations are based on the yearly equivalent of the current costs of the first phase of the institutional strengthening project excluding cost of equipment and contingency.

(d) Category IV Countries

Extension may be given for one year in the first instance at full current annual cost of personnel and operational costs (excluding the cost of equipment and the 10 per cent contingency included in the budget of the first phase). It may be subject to renewal annually for up to four years. However, assessment of funding for the second and third years of extension would be based on whether the Executive Committee considered the country to be a category IV or a category III country at the time of application for extension. Funding for extension beyond three years may be assessed based on category III.

34. Any request for extension of institutional strengthening in the cases of Categories II-IV shall be accompanied by a terminal report prepared in collaboration with the implementing agency which was responsible for the previous projects and a plan of action for the following year. These documents should provide evaluation of the institutional strengthening and justification for further support. The request, terminal report and plan of action should be submitted through the

implementing agency except in the case of institutional strengthening undertaken through bilateral cooperation which has ended. The terminal report and the plan of action may follow the format contained in Annex II.

35. The disbursement by the implementing agency concerned of the approved funds shall commence as promptly as possible following approval of such funds. Where delays are encountered for a period exceeding three months, the implementing agency shall report to the Executive Committee giving reasons for the delay and recommending any possible actions to remedy the situation.

36. The earliest date for submission of request for extension of institutional strengthening shall be six calendar months prior to the completion date of the previous phase.

37. The completion date of a previous phase of institutional strengthening shall be the last month covered by the last installment of funds disbursed by the implementing agency.

38. The completion dates for the first phase of institutional strengthening, will be based on the rate of disbursements as reported by the implementing agencies to the 19th Meeting of the Executive Committee, except where the actual date of the last installment of the institutional strengthening funds disbursed by the implementing agency is indicated in the terminal report or the latest progress report of the implementing agency.

CONCLUSION

39. Institutional strengthening is an essential activity for facilitating the phase out of the ODS. The need for institutional strengthening is particularly critical in the initial years after a country becomes a Party to the Protocol, when the stakeholders and the general public have to be made aware and sensitized to the need for taking actions to phase out. By providing support to every eligible country that becomes a Party to the Protocol, augmented by considerable amount of funds for national and regional workshops and networking, the need for the critical support appears to have been met to a large extent. Hence the need to focus on funding related mainly to expediting the phase out of ODS.

40. Implementing agencies in the implementation of approved projects rely on organizations outside the ozone units. UNDP employs the UN Office of Project Services (UNOPS) to implement its projects and UNIDO implements the projects through engineering contracts, while the World Bank relies on a local financial intermediary trained for the purpose. Therefore as projects enter their implementation phases the external direct assistance to industries increases, potentially reducing the role of ozone offices to periodic monitoring of implemented activities, which may result in potential reduction in resource demand.

RECOMMENDATION

The Fund Secretariat recommends as follows:

1. Subject to a possible review on completion of the report referred to in Decision VII/22, to consider and adopt the guidelines contained in paragraphs 32-38 and their relevant annexes for considering extensions or renewals of institutional strengthening.

2. To designate an implementing agency to coordinate the task requested by the Parties in Decision VII/22, and to present the joint report to the 20th Meeting of the Executive Committee.