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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**IMPLICATIONS FOR MULTILATERAL FUND INSTITUTIONS IN TERMS OF EXPECTED
WORKLOAD IN THE COMING YEARS, INCLUDING IN RELATION TO THE KIGALI
AMENDMENT FOR THE PHASE-DOWN OF HFCS (DECISION 80/34(f))**

Background

1. At its 80th meeting, the Executive Committee considered the document on the consolidated 2018-2020 business plan of the Multilateral Fund.¹ The document included a section on the capacity of the Multilateral Fund to address HFC phase-down, noting that the implementation of the Kigali Amendment could expand the scope and complexity of the work of the Executive Committee, the implementing agencies, the Secretariat and the Treasurer.
2. The Committee subsequently adopted decision 80/34(f) through which it requested the Secretariat to prepare for the 81st meeting a report on the implications for Multilateral Fund institutions in terms of expected workload in the years ahead, including in relation to the Kigali Amendment for the phase-down of HFCs.
3. The Secretariat has prepared the present document in response to decision 80/34(f).

Structure of the document

4. This document presents an overview on the scope and trends of the current workload of Fund institutions in supporting the implementation of HPMPs and HFC phase-down activities, and also the perspectives of Fund institutions. The document has been informed by previous documents considered by the Executive Committee, particularly since the adoption of the Kigali Amendment. It takes into account that the Kigali Amendment comes into effect on 1 January 2019, and that as at 31 May 2018, a total of 37 Parties had ratified the Amendment. It also includes the results of consultations on the subject held with implementing agencies and the Treasurer during the inter-agency coordination meeting in March 2018.

¹ UNEP/OzL.Pro/ExCom/80/16

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

5. The document consists of five sections and recommendation as described below:

Section I:	Scope and trends of legislative decisions on HFC-related work
Section II:	Perspectives of Fund institutions on expected workload
Section III:	Overview of expected workload
Section IV:	Conclusion
Section V:	Recommendation

6. The document also contains two annexes:

Annex I	Approved Multilateral Fund resources and support costs for HFC activities (2015-2020)
Annex II	Perspectives of Fund institutions on expected workload and implications

Scope and trends of legislative decisions on HFC-related work

7. Work on HFC-related activities picked up between 2015 and 2017, with the Executive Committee following up on decisions and requests of the Meetings of the Parties to the Montreal Protocol regarding the funding of various activities such as national surveys on ODS alternatives. The adoption of the Kigali Amendment at the Twenty-Eighth Meeting of the Parties in October 2016, particularly decision XXVIII/2, triggered additional activities for the Fund institutions pursuant to subsequent decisions of the Executive Committee.

8. In addition to its many decisions on HCFC phase-out activities and funding for HPMPs, institutional strengthening and project preparation, the Executive Committee has adopted specific HFC-related decisions that address some of the following:

- (a) National surveys on ODS alternatives in 127 countries, in line with decision XXVI/9;²
- (b) Enabling activities to be funded in relation to HFC phase-down, in line with decision XXVIII/2;³
- (c) Development of cost guidelines for the phase-down of HFCs in Article 5 countries, including methodologies and cost calculations for making specific categories of costs eligible and including them in the cost calculation for both the manufacturing and production sectors, in line with decision XXVIII/2;⁴ and
- (d) Implementation of stand-alone HFC-related investment projects for obtaining experience and information about the incremental costs and other issues relevant for investment projects, in line with decisions 78/3 and decision 79/45.

² In paragraph 4 of decision XXVI/9, the Parties to the Montreal Protocol requested the Executive Committee to consider providing additional funding to conduct inventories or surveys on alternatives to ODS in interested Article 5 parties.

³ In paragraph 20 of decision XXVIII/2, the Meeting of the Parties requested the Executive Committee to include a number of enabling activities - capacity-building and training for the handling of HFC alternatives in the servicing, manufacturing and production sectors; institutional strengthening; Article 4B licensing; reporting; demonstration projects; and development of national strategies - to be funded in relation to the HFC phase-down under the Amendment.

⁴ In paragraph 10 of decision XXVIII/2, the Parties requested the Executive Committee to develop, within two years of the adoption of the Amendment, guidelines for financing the phase-down of HFC consumption and production, including cost-effectiveness thresholds.

9. The earliest obligation under the Montreal Protocol relates to data reporting. In that context, a challenge faced is that the number of HFCs and HFC blends is much higher than that of HCFCs, and new HFC-based blends are still being developed and introduced on to the market. In addition, there are currently no harmonized customs codes for individual HFCs and HFC blends. It is expected that enabling activities will include a focus on building HFC data-reporting capacity.

10. Overall, it is important to note that the US \$540 million replenishment at the Twenty-Ninth Meeting of the Parties in November 2017 includes limited resources for HFC phase-down activities during the 2018-2020 triennium.

Perspectives of Fund institutions on expected workload

11. Since 2015, the Executive Committee has approved funding for HFC-related activities in Article 5 countries, consisting of surveys on ODS alternatives, enabling activities, preparation of HFC-related investment projects and one HFC-investment project. The total funding for HFC-related projects included in the 2018–2020 business plan of the Multilateral Fund amounts to US \$33,660,200 and pro-rated to US \$18,435,134. The workload of Fund institutions is expected to continue to grow as the Committee continues to approve funding for HFC phase-down in addition to HCFC phase-out activities.

12. The HFC-related activities that have been approved and funded are now part of the portfolio of bilateral and implementing agencies, together with the ongoing HPMPs and traditional projects such as institutional strengthening. Annex I provides a breakdown of both approved and planned funding related to HFC activities between 2015 and 2020; it indirectly reflects the work undertaken by the Secretariat in reviewing project proposals and preparing relevant policy documents and progress reports for consideration by the Executive Committee. It also reflects the volume of resources processed by the Treasurer.

13. UNDP, UNEP, UNIDO and the World Bank have indicated that ongoing work on HCFC phase-out and implementation of the Kigali Amendment through the associated HFC phase-down activities present new challenges in their work and support to Article 5 countries in meeting their Montreal Protocol compliance obligations and preparations for the implementation of the Kigali Amendment.

14. As previously reported to the Executive Committee,⁵ HFC phase-down activities, together with ongoing HCFC phase-out activities, are expected to expand the scope and complexity of work under the Multilateral Fund, including that of the Executive Committee, the implementing agencies, the Secretariat and the Treasurer. Bilateral and implementing agencies have already witnessed an increase in the volume of work related to the preparation of project proposals and enabling activities to respond to challenges related to the HFC phase-down.

15. UNEP, as Treasurer, has indicated that it would be affected by the additional HFC phase-down activities, but that there would be no cost implications, as long as the resources approved for the bilateral and implementing agencies' projects were committed for bulk disbursement.

16. Work related to HFCs has also seen most of the Fund institutions engaging full- and part-time staff to work specifically on such matters. For example, in June 2017, UNDP recruited a new staff member to serve as the focal point for all Kigali Amendment-related issues. UNEP has recruited a RAC energy efficiency expert to complement the CAP team. The World Bank has added on a part-time basis a senior energy specialist and a senior climate change economist. Their contributions specific to Montreal Protocol issues and the Kigali Amendment increased in 2017 in support of the HFC phase-down activities of the Bank.

17. While the Fund institutions have shown initiative in strengthening their core teams and engaging in-house expertise, uncertainty is presently a significant challenge to better define the expected workload

⁵ UNEP/OzL.Pro/ExCom/80/16

and its implications, particularly as forthcoming decisions of the Executive Committee will determine policies related to the HFC phase-down. Some sources of uncertainty include:

- (a) The lack of availability of business plans related to HFCs, given that the level of replenishment for the next triennium is yet to be decided;
- (b) That Executive Committee has yet to decide on interlinked policies on stages II and III of HPMPs and on HFC phase-down activities;
- (c) That policies related to energy efficiency and other HFC phase-down issues are yet to be decided;
- (d) The timing in terms of addressing Group II countries' HFC phase-down needs; and
- (e) Distribution among the agencies of countries that are handling projects.

18. The workload of the agencies is and will be informed by the current guidelines on the HPMP implementation and future ones to facilitate the implementation of HFC phase-down activities. Each of the implementing agencies provided a brief explanation on the workload related to HFC activities. These reports are contained in Annex II to the present document. Given the complementarity of HCFC phase-out and HFC phase-down activities, the importance of ensuring coherence and synergies cannot be overemphasized. Reporting on all activities will also be a challenge.

Overview of expected workload

19. As already indicated above, the current and future workload of Fund institutions is and will be determined by mandated multi-year activities, the capacity and readiness of Article 5 countries to handle HCFC phase-out and HFC phase-down activities simultaneously, and the scheduling of those activities over the next decade. A total of 145 Article 5 countries are currently implementing HPMPs that will allow them to meet at least the 2020 compliance targets under the Montreal Protocol (noting that several Article 5 countries had committed for an accelerated phase-out of HFCs). Given that the Kigali Amendment will enter into force on 1 January 2019, Parties are expected to start reporting their HFCs consumption and production data as of that year.

20. Activities that are or will be part of the Fund institutions' portfolios include, but are not limited to:

- (a) Implementing all the ongoing HCFC phase-out activities and reporting obligations to the Multilateral Fund;
- (b) Enabling Article 5 countries to ratify as early as possible the Kigali Amendment and build the capacity of national stakeholders for its long-term implementation in parallel with, or integrated into, HCFC phase-out activities;
- (c) Assessing the legal and institutional frameworks for HCFC phase-out and HFC phase-down, and the legal and institutional implications for their implementation; and assessing HCFC and HFC licensing and enforcement regimes;
- (d) Analysing current data and information on HCFC and HFC consumption (and production where applicable) and trends; building the capacity of national institutions in terms of reliable data and information handling, reporting and monitoring; and the key stakeholders in Government, the manufacturing and servicing sectors for cost-effective and sustainable phase-out of HCFCs and HFCs;

- (e) Undertaking training of national ozone officers (NOOs), technicians, customs officers, and other key actors involved in HCFC and HFC reporting and control measures (as the Kigali Amendment will enter into force on 1 January 2019); and
- (f) Supporting Article 5 countries with production facilities in demonstrations for HFC-23 by-product mitigation or conversion technologies with the potential for cost-effective, environmentally sustainable controls on HFC-23 emissions.

21. Currently, the implementation of HCFC and HFC work has been complementary, but there is risk of overlap as HFC work becomes more comprehensive and the Fund institutions implement many multi-year projects, each with its own demands on the institutions, NOOs/NOUs and PMUs, as well as monitoring and reporting requirements.

Conclusion

22. Future decisions of the Meetings of the Parties and the Committee, particularly in the short-term, should help reduce the uncertainty and help Fund institutions in better defining the scope of their work and the implications in the short-term and years ahead. At this stage, it is uncertain whether the implementation of HCFC and HFC work will be parallel or integrated. Each approach has implications for replenishment levels and resource availability; cost-effectiveness; implementation and reporting; the capacity of Fund institutions, PMUs and NOOs/NOUs, and countries at the national level where the impact is best realized and measurable. It would be strategic for Executive Committee decisions to address this issue as early as possible to ensure cost-effectiveness and quality delivery of services.

23. Integration is not limited to HCFC phase-out and HFC phase-down, but also concerns ozone and relevant climate change agendas more generally, at the global and national levels. Both the Fund institutions and the Article 5 parties face the challenge of engaging with new players and stakeholders who, for example, work on energy efficiency and climate change.

24. Retrofitting for purpose is necessary for some Fund institutions to enable them to cost-effectively support the expected HCFC and HFC workload. Since work related to HFC phase-down is complex and involves areas which up until now have not be tackled directly by Fund institutions, there is need to train the relevant staff of Fund institutions so that they are better equipped to provide reliable technical support to Article 5 countries.

25. Finally, while decision 80/34 (f) does not specifically raise the issue of funding resources in terms of workload implications, the Fund institutions generally did not decouple the two, the justification being that the workload and its implications cannot be fully analysed without also addressing resource needs, both human and financial.

Recommendation:

26. The Executive Committee may wish:
- (a) To note the overall analysis on the implications for Multilateral Fund institutions in terms of expected workload in the years ahead, including in relation to the Kigali Amendment for the phase-down of HFCs (decision 80/34(f)) contained in document UNEP/OzL.Pro/ExCom/81/55;
 - (b) To request the Secretariat to continue monitoring the implications for the Multilateral Fund institutions in terms of expected workload in the years ahead, including in relation to the Kigali Amendment for the phase-down of HFCs and report back to the Executive Committee, as relevant.

Annex I

Approved Multilateral Fund resources and support costs for HFC activities (2015–2020)

Agency	Year	Enabling			Demonstration			Investment			Project preparation			ODS survey		
		Funds approved (US \$)	Support costs (US \$)	Support costs (%)	Funds approved (US \$)	Support costs (US \$)	Support costs (%)	Funds approved (US \$)	Support costs (US \$)	Support costs (%)	Funds approved (US \$)	Support costs (US \$)	Support costs (%)	Funds approved (US \$)	Support costs (US \$)	Support costs (%)
World Bank	2015													295,000	26,550	9.0
	2016													55,000	4,950	9.0
	2017	750,000	52,500	7.0							30,000	2,100	7.0			
	2018	125,000	8,750	7.0	5,500,000	385,000	7.0	800,000	56,000	7.0						
UNDP	2015													876,727	78,905	9.0
	2017	1,448,000	101,360	7.0				3,131,610	219,213	7.0	150,000	10,500	7.0			
	2018	1,125,000	78,750	7.0	2,616,822	183,178	7.0	560,748	39,252	7.0						
	2019							5,500,000	385,000	7.0						
	2020							2,000,000	140,000	7.0						
UNEP	2015													4,951,907	643,748	13.0
	2017	3,256,000	227,920	7.0												
	2018	6,383,333	446,833	7.0												
UNIDO	2015													2,011,551	181,039	9.0
	2017	2,336,000	163,520	7.0							90,000	6,300	7.0			
	2018	866,667	60,667	7.0				3,521,204	254,559	7.2	30,000	2,100	7.0			
	2019							1,700,000	119,000	7.0						
Bilateral	2015													175,000	22,750	13.0
	2017	480,000	33,600	7.0												
TOTAL	2015													8,310,185	952,992	11.5
	2016													55,000	4,950	9.0
	2017	8,270,000	578,900	7.0				3,131,610	219,213	7.0	270,000	18,900	7.0			
	2018	8,500,000	595,000	7.0	8,116,822	568,178	7.0	4,881,952	349,811	7.2	30,000	2,100	7.0			
	2019							7,200,000	504,000	7.0						
	2020							2,000,000	140,000	7.0						
GRAND TOTAL		16,770,000	1,173,900	7.0	8,116,822	568,178	7.0	17,213,562	1,213,024	7.0	300,000	21,000	7.0	8,365,185	957,942	11.5

Note: In addition to the specific funding for HFC-related activities, implementing agencies also receive from the administrative cost regime of the Fund substantial funding for their core unit and programme support costs.

Annex II

Perspectives of Fund institutions on expected workload and its implications

Fund Secretariat

1. The workload of the Secretariat consists of the project review process, its consultations with bilateral and implementing agencies, and its preparation of policy documents for the consideration by the Executive Committee. While bilateral and implementing agencies receive support costs from the additional HFC-related activities, this is not the case for the Secretariat. In this respect, the Secretariat has had to devote considerable time, for example, collect and assess HFC data provided by approximately 120 countries, review of HFC stand-alone investment project proposals and the preparation of HFC policy documents. The Secretariat would also note that its work associated with some HCFC-related activities has changed. In particular, monitoring of HCFC project implementation, particularly for projects with specific reporting requirements, has increased, as evidenced by the lengthy document on projects with specific reporting requirements submitted to the 81st meeting.
2. Since the adoption of the Kigali Amendment, for example, the Secretariat, in addition to HCFCs-related reports, has prepared HFC-related documents on issues such as: the format for preparation of the surveys of ODS alternatives and presentation of the resulting data for the consideration of the Executive Committee;⁶ information available on HFC consumption and production in Article 5 countries, including on HFC-23 as a by-product;⁷ information relevant to the development of the cost guidelines for the phase-down of HFCs in Article 5 countries for draft criteria for funding,⁸ for enabling activities,⁹ and for institutional strengthening;¹⁰ and stand-alone HFC investment projects. Additional HFC-related documents, in addition to those required for HCFC phase-out, will be needed at future Executive Committee meetings.
3. One area of complexity is HFC investment projects, which are touching on new areas, with HFC-baseline technologies that are not necessarily the same as HCFC-baseline technologies, such as mobile air-conditioning, commercial stand-alone refrigeration sector. Consultations industry experts on such issues are required to ensure that recommendations on technologies selection are sustainable and incremental costs are sufficient to allow for a cost-effectiveness conversion of enterprises. The increase in the number complexity of issues has an impact on the review process.
4. In addition to the workload associated with HFC-related investment projects, the background documents on technical and policy matters are also relevant. The volume of documents submitted to the Executive Committee for its consideration could be an indication of workload, but this belies the level of complexity and the effort required for each in terms of the initial research and assessment of relevant data and information, consultations with bilateral and implementing agencies as required, potential consultation with experts on particular matters as needed, and drafting the documents.
5. The current HCFC and the evolving HFC workload reduces the capability of the Secretariat to exercise project review flexibility and to help the agencies, should this be needed. Given the complexity of the HFC issues, extending the project review timeframe could be considered. This would be a cost-effective way, at no additional cost, to start absorbing the additional workload emerging from the Kigali Amendment.

⁶ Decision 74/53

⁷ Decision 77/59(b)(i)

⁸ Decision 77/59(b)(v)

⁹ Decision 77/59(b)(ii)

¹⁰ Decision 77/59

6. The current submission deadlines for investment project proposals limit the time available to the Secretariat to undertake comprehensive analysis of the proposals. As noted in the document on the Overview of issues identified during project review,¹¹ the Secretariat is recommending changes to the project submission deadlines. Other changes could also be considered; for example, more project proposals could be submitted early in the year, but not necessarily examined by the Committee at the first meeting of the year, rather being spread over the two.

UNDP

1. The UNDP Montreal Protocol Unit has, since 2017, deployed most of its staff in support of Article 5 parties undertaking various HFC phase-down activities. In June 2017, UNDP recruited a new staff member to serve as the internal focal point for Kigali Amendment-related issues and energy-efficiency linkages. In response to queries from the Secretariat about the financing of the position, UNDP explained that it was using the accumulated fee balance earned on Fund projects. UNDP, however, expressed concern that the seven per cent fee for HFC enabling activities was insufficient to sustain the support needed for HFC phase-down work.

2. UNDP activities related to the Kigali Amendment in 2017 included:

- (a) Capacity-building and knowledge management within UNDP; this included producing briefing and learning materials;
- (b) Supporting the participation of the UNDP Administrator in the high-level event at the 72nd session of the United Nations General Assembly on ratification of the Kigali Amendment to the Montreal Protocol;
- (c) Advocacy, including by presenting the objectives of the Kigali Amendment at national stakeholders' meetings in Bangladesh, Belarus, Brazil, China, Chile, Colombia, Ghana, India, Indonesia, Malaysia, Nigeria and Trinidad and Tobago; organizing, in the margins of the 39th Open-Ended Working Group of Parties to the Montreal Protocol in Bangkok in July 2017, a side event on HFC-23 conversion technologies; and developing a UNDP publication on activities to protect the ozone layer and the global climate, highlighting the Kigali Amendment;
- (d) Enabling activities, including working with national ozone units (NOUs) and UNDP country offices in preparing project proposals for Executive Committee consideration and undertaking their implementation; and
- (e) HFC phase-down stand-alone investment projects, including working with NOUs on project concepts and drafting project preparation documents, and organizing site visits; UNDP prepared and submitted three project proposals and seven project preparation requests, and the Committee, at the 80th meeting, approved one project and five project preparation requests.

3. UNDP has explained that the HFC-related activities are more labour-intensive and time-consuming because they involve new areas of work in comparison with HCFC phase-out work, which is more established and streamlined as a result of the experience acquired during implementation of stage I of HPMPs. UNDP has included HFC/Kigali Amendment-related activities in the desired outcomes of its 2018–21 Strategic Plan, one of the objectives of which is to accelerate structural transformations for sustainable development. Overall, the UNDP strategy would be to integrate the HCFC phase-out and HFC

¹¹ UNEP/OzL.Pro/ExCom/80/14

phase-down work as much as possible to ensure effectiveness. Additional resources were, however, needed to sustain the significant additional workload.

4. UNDP currently has programmes under way in 49 countries and its country offices perform functions related to project support and coordination with relevant government institutions, including NOUs. UNDP has informed the Secretariat that the project implementation and monitoring unit (PMU) role, in supporting NOUs in implementing HFC phase-down activities, would become more prominent in the medium to longer term as the Executive Committee progressively approved investment projects. PMUs would support NOUs in HFC-related projects just as they currently do for HPMPs. The technical expertise embedded in PMUs might need to be adapted for HFC-related activities in order to be able to effectively support NOUs in phase-down activities. It was impossible, however, at this early stage of HFC-related work to forecast when such changes would be necessary.

5. The UNDP Montreal Protocol Unit, together with the UNDP-Global Environment Facility (GEF) energy team, has already developed two GEF-funded energy-efficiency projects in the refrigeration and air-conditioning (RAC) sector in Mauritius and Trinidad and Tobago. UNDP has also partnered the Kigali Cooling Efficiency Program (KCEP) to support the global effort to quickly integrate energy efficiency into solutions to meet the cooling challenge and meet growing cooling demands with clean energy solutions, for example, assisting 12 countries in developing national cooling plans.

6. UNDP has produced a briefing note for the Ozone Secretariat, highlighting the agency's experience of energy-efficiency measures. The Director of the UNDP Montreal Protocol Unit has provided technical support for the UNDP Administrator's participation in the Cooling for All initiative.

UNEP

7. UNEP has stated that HCFC phase-out and HFC phase-down activities are similar and that both have an impact on its workload in support of Article 5 countries. In addition to implementing the stages I and II of HPMPs for over 90 countries and institutional strengthening projects for 103 countries, UNEP is expected to implement a total of 87 enabling activity projects by the end of 2018.

8. The support of the CAP for enabling activities would include: considerations related to alternatives to HFCs and specific knowledge relating to alternatives such as NH₃ and CO₂; expanding skills and training so that alternatives to HFCs are included in the institutional strengthening and HPMP projects; upgrading skills of training institutions to enable the safe use of HFCs alternatives; reviewing policies and institutional frameworks to include HFC-specific elements; expanding the stakeholder base at national level to include climate change focal points in discussions; capacity-building on data collection, reporting and understanding of national technology landscapes; log books for HFC importers; the inclusion of holistic refrigerant management in all national Fund-financed projects; training on criteria for selecting non-HFC alternatives; training on estimations of HFC use in equipment; extension of training on HFCs for customs and enforcement officers; addressing illegal trade in HFCs and HCFCs; and supporting countries in establishing specific codes to identify HFCs. In addition, the CAP would also provide, in the servicing sector, targeted training on HFC alternatives both for the formal and the informal sub-sectors.

9. The CAP plans to step up its support to all NOOs/NOUs to build their capacity to estimate countries' average levels of consumption of HFCs for 2020, 2021, and 2022, and to ensure that they have reliable HFCs baseline consumption data.

10. UNEP has indicated that, for the moment, the CAP could cope with the workload. UNEP has already recruited an energy-efficiency RAC expert to complement the team. The CAP team needs training in calculating CO₂ equivalents and non-HFC alternatives for servicing sectors.

11. The CAP has provided support for the implementation, monitoring and evaluation of 600 small projects and UNEP has signed legal instruments with the beneficiary governments and directly disbursed to the countries all approved project funds for implementation. UNEP has indicated that managing national micro-projects is a constant challenge and there is a need to introduce more efficient approaches and reduce transaction costs. Possible solutions include programming all tranches within the same project document/grant rather than the current practice of multiple tranches and small grant agreements. An example is stage I of the HPMP for Albania at a cost of US \$85,000, which is to be approved in five tranches. Payments under US \$25,000 could, for example, be covered by approved project agreement and not necessarily need a separate one. According to UNEP, the Executive Committee might wish to reconsider the requirement that the last tranche be no more than 10 per cent of the total amount of the HPMP.

12. UNEP has suggested that it might be cost-effective to combine HPMPs and HFC phase-down projects because activities would be similar and it would be more efficient to deliver them in an integrated manner. For example, the training of technicians, customs officers, and inspectors could be conducted together to avoid there being separate projects each with its own reporting requirements.

13. UNEP also proposed to rationalize project reporting, with an ODS registry being a possible solution. Such a reporting tool could provide for a single system that would generate in the required formats for institutional strengthening terminal reports/renewal requests, multi-year agreements, HPMP tranche requests, interim and progress reports under small-scale funding agreements, CAP annual progress reports and project completion reports.

UNIDO

14. Citing Executive Committee decision 79/46(d)(v), which explicitly states that the implementation of HFCs enabling activities should not delay implementation of HCFC phase-out projects, UNIDO stressed that the decision clearly intends that Article 5 countries and implementing agencies undertake HFC phase-down activities as an additional effort, and that this has not only increased its workload, but has also given rise to a need for additional resources.

15. UNIDO has stated that, in order to meet their commitments under the Kigali Amendment, Article 5 countries need, in the short term, support to facilitate ratification, the review and development of standards, and the review of energy efficiency policies and opportunities, and to work closely with other national organizations that deal with climate change and report under the Paris Agreement. NOOs/NOUs would need substantial capacity-building in relation to all these issues.

16. UNIDO has pointed out that, other than very few preparatory activities for HFC investment projects, only enabling activities have been approved by the Executive Committee with a limited budget, reduced support costs and a short implementation time frame of 18 months starting from the beginning of January 2018.

17. For UNIDO, in this initial stage of the implementation of the Kigali Amendment, there has been a need for substantial research on HFCs policies, standards, best practices, along with awareness-raising, capacity-building and close mentoring of its partner countries. Close coordination among UNIDO's internal units (particularly on energy, climate change and standards) as well as with external bodies and experts has been necessary in order to provide high-quality support to Article 5 countries and to ensure early action with regard to Kigali ratification/implementation as expected by the Parties.

18. The input from other UNIDO divisions included internal and external training, knowledge exchange and participation as experts HFCs-related events. UNIDO has indicated that, owing to the limited funds approved for HFCs activities, this additional input was not covered by the programme support costs. UNIDO is therefore currently providing these activities from its own budget, which is not sustainable,

considering also the Executive Committee decision to reduce by 0.5 per cent the agency support costs for stage II of the HPMP for China.

19. UNIDO expects the peak in the workload to cover more than one replenishment, owing to the parallel work on HCFC phase-out and the high demand for early action in terms of HFC phase-down. The additional workload will decrease only when the HCFCs projects near completion. The additional resources required to manage the additional workload related to HFC activities will depend on when the Executive Committee approves funding for larger portfolios for HFC phase-down.

20. UNIDO has indicated that enabling activities are not standard Fund activities in that Article 5 countries needed support in relation to ratification, the review and development of standards, the review of energy-efficiency policies and opportunities, and more engagement with internal bodies dealing with climate change issues. For these reasons, NOUs require extensive capacity-building and much more mentoring and guidance from the implementing agencies than for the standard activities implemented under current institutional strengthening projects, HPMPs, technical assistance projects, for example.

21. In addition to affecting NOUs, future HFC-related work would have an impact on the composition of PMUs. UNIDO has indicated that, as existing PMUs had been specifically recruited for HPMP implementation, there would be a need for additional expertise for the implementation of HFC-related activities.

22. In terms of implementation modalities, UNIDO has stated that, given the interlinkages between HCFC phase-out and HFC phase-down, it would integrate the two streams of work in order to avoid overlap and ensure cost-effectiveness and efficiency. UNIDO has further indicated that, with increasing demand for services and limited resources, it will continue to improve its processes in order to achieve efficiency gains and ensure the best use of those resources.

23. As implementation of the Kigali Amendment is a long-term undertaking measured in decades, it would be strategic to establish in the short term the necessary capacities within the implementing agencies. All UNIDO Montreal Protocol staff need to be involved in the HFC work, and the additional expertise required to manage HFC projects and effectively support the agency's partner countries would be built into the current UNIDO team through knowledge transfer from other divisions and the recruitment of consultants.

24. Given that the 2018-2020 replenishment for HFC issues was limited, with no substantial portfolio to be generated in the short-term, the expected income from support costs during the current replenishment will not cover the cost of recruiting additional staff to deal with the additional, complex workload.

25. Taking into account the approved business plan and US \$540 million replenishment for the triennium 2018-2020, UNIDO has suggested a special core unit budget line to cover the additional work of implementing agencies stemming from the HFC phase-down activities. Such a budget line would be temporary and reviewed annually by the Executive Committee, and adjusted or discontinued in line with changes in the workload of each agency. Such a provision would meet costs such as those that UNIDO incurred in 2017 for HFC-related activities. UNIDO organized in 2017 an expert group meeting on early action on the Kigali Amendment, which brought together some Article 5 Parties at a total cost of US \$170,000.

26. In 2018, the HFC-related activities of UNIDO are expected to incur an additional US \$100,000 in contractual staff costs to support early actions related to HFC phase-down activities. Any additional resource provided would be used to support Article 5 countries in meeting their obligations under the Kigali Amendment and ensure that there are no delays in the implementation of the HPMPs. More specifically, UNIDO would use the funds to recruit experts and to train its staff.

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27. The Bank acknowledges that, while the addition of HFC phase-down activities will not necessarily radically change the business model, the timing of the introduction of HFC activities in the middle of HCFC phase-out efforts will have an impact. For example, the recent triennium 2015–2017 already saw an increase in core unit costs, starting in 2016 and continuing in 2017. The Montreal Protocol Core Unit of the World Bank has added, on a part-time basis, a senior energy specialist and a senior climate-change economist to handle work related to the Amendment. The two specialists are funded in part by the core unit budget where they contribute directly to the work of the unit, and otherwise by other Bank programmes and projects, including activities under the GEF programme, and from the budget for the wider Climate Change Group.

28. The two specialists' contributions specific to the Montreal Protocol increased in 2017 in support of the core unit and its HFC phase-down activities. Concurrently, long-time core unit staff supported project teams in preparing for the delivery of new projects in the stage II of HPMPs, which are expected to be implemented between now and early 2019. In addition, during this period, the core unit of the Bank saw increased interaction with countries interested in HFC enabling activities.

29. In response to issues raised by the Secretariat, the Bank said that additional HFC phase-down work during the current and subsequent trienniums could have an impact on the Fund's current hybrid administrative cost regime, comprising the core unit and its annual budget, and programme support costs, depending on the nature and scope of the work mandated by the Executive Committee pursuant to relevant decisions of the Meetings of the Parties. The World Bank expects the demand on the core unit to be highest at the beginning of the current replenishment period (2018–2020), before stabilizing at mid-point.

30. The next period of increased demand will most likely be in the following triennium, at which time it is to be expected that Article 5 countries would be preparing their first national plans for HFC phase-down. Technical knowledge creation, business development, outreach and other related activities are therefore expected to increase during this period.

31. The Bank said the history of its Montreal Protocol portfolio indicates that, for each controlled substance that has been addressed, the workload has been markedly different at the time when the phase-out first started. At that point, there has always been a consistent need for the Bank (mostly technical consultants) to fill in the technical knowledge and capacity that was lacking, both in the Bank's operational teams and at the country level. Challenges and additional effort by the Bank have already been encountered during stage II HPMPs when the sectors are made up of small and medium-sized enterprises with limited options for viable and affordable technologies. This requires more targeted support by technical experts as well as innovation in terms of design to take advantage of economies of scale to allow the Bank and the countries to fulfil fiduciary requirements and to stretch limited funds across sectors in order to promote sustainable outcomes.

32. Experience in developing and implementing projects that phase out a newly controlled substance could be taken as a proxy for the implementation period of the Kigali Amendment, which would not start until after the current replenishment period, and possibly the next. At that point, intensive support will be needed to design and implement the first sector-based HFC phase-down interventions. Factors unique to HFCs – that many are blends, that there might be multiple alternative solutions for one application or depending on the geographic zone, that reporting on their use is compounded with the use of CO₂ equivalent, or that an alternative technology may not yet be economically viable – could demand even more intensive, upfront, and cross-cutting support than was the case for CFC, carbon tetrachloride and HCFCs.

33. According to the Bank, its experience in HFC enabling activities over several months has highlighted the need for strong analytical and cross-cutting support. Article 5 countries are aware that the phase down of HFCs is as much a climate-change commitment as a Montreal Protocol one. In that respect, they require analysis of various HFC phase-down scenarios in the context of their sector strategies, climate

mitigation goals/nationally determined contributions and their industry and economic sectors, that includes assessment of cost implications.

34. In order to deliver on country expectations, the Bank stresses the need to invest time in creating synergies and seeking out opportunities across sectors and “global practices,” tapping into the expertise of its economists, sector and technical specialists and operational staff. The expert input of these World Bank staff would continue to be funded by agency support costs and the core unit budget. In the short term, additional expert contribution will most likely be needed for the implementation of HFC-related enabling activities.

35. The Bank has explained that wider expert input will likely be needed in future. The network of teams and individuals in these cross-cutting areas within the Bank has been built and expanded through the support provided, outside the Fund, by the Canadian Government to mainstream Montreal Protocol issues, particularly HFC phase-down, into the development work of the Bank. The Bank has a Climate and Ozone Operational Linkages platform (COOL) network, which facilitates interaction and cooperation between Montreal Protocol core unit staff and the other experts.

36. The Bank has indicated that the President of the World Bank Group has committed US \$1 billion to support energy efficiency in urban areas by 2020, including support for cooling technologies that use climate-friendly refrigerants, illustrating the wider objective of the Kigali Amendment, beyond the Montreal Protocol. The Bank will be involved in two ways – through its traditional work as an implementing agency and through its regular operations in the context of its Climate Change Action Plan.

37. The Bank has stressed that there are no plans to separate HFC work from HCFC work in order to take advantage of economies of scale, knowledge and expertise that already exists in a small number of its staff and consultants, and because the country clients were the same for both substances. To avoid overlap and ensure efficiency, it is strategic to integrate HFC and HCFC work streams.

38. NOUs and some PMUs have already been exposed to issues relating to HFC phase-down, but the majority of PMUs will need to adapt. Since PMUs are established within specific projects, the requirement for adaptation will be greatest at the beginning of the period of implementation of the HFC phase-down plans.