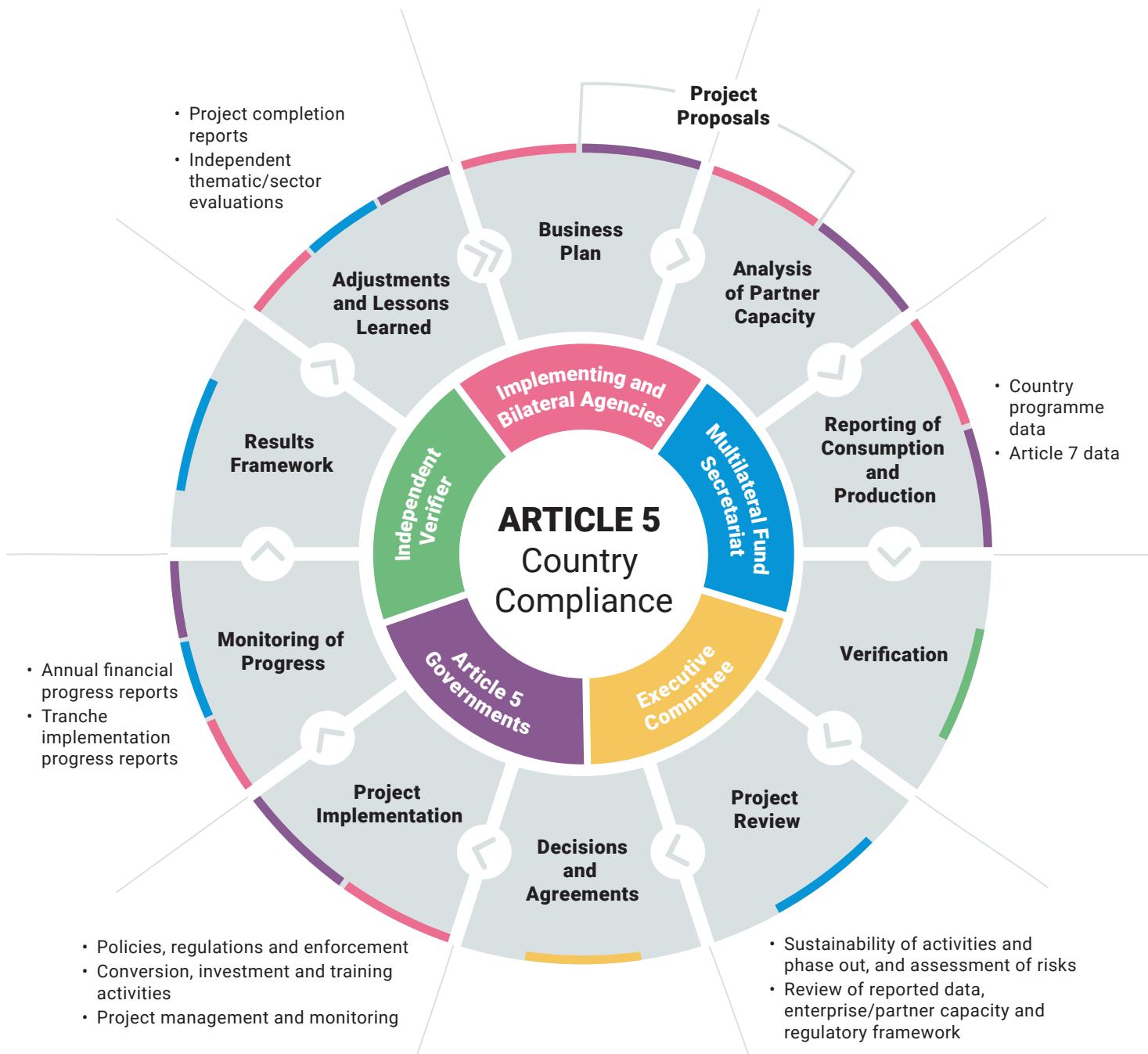


Framework of activities for sustainability supported by the Multilateral Fund

The Multilateral Fund for the Implementation of the Montreal Protocol has safeguards in place to ensure that compliance with the Montreal Protocol targets is sustained. The figure below shows the stakeholders involved and the safeguards in place that ensure the sustainability of activities supported by the Fund.



The main partners in the framework include the Executive Committee, Article 5 country governments, bilateral and implementing agencies, third-party verifiers, and the Multilateral Fund Secretariat. These partners work together to respond to Article 5 country compliance needs through the development, implementation, and monitoring of projects and plans.



Article 5 country engagement

Projects submitted to the Multilateral Fund are proposed by Article 5 countries based on their specific needs and national circumstances, following a country-driven approach.

Under the HFC phase-down, the country-driven approach has been explicitly complemented by flexibility in implementation. Funding under the Montreal Protocol is based on a commitment by the Article 5 country concerned to sustainably and permanently reduce the consumption and production of controlled substances.

Policy, regulations, and institutional strengthening

- ▶ Since its 4th meeting, the Executive Committee has provided support to strengthen policy and regulatory frameworks in Article 5 countries to facilitate compliance with the Montreal Protocol and enable the long-term sustainability of the phase-out achieved.
- ▶ Over the years, and with the support of the Multilateral Fund, Article 5 countries have established and strengthened their national licensing and quota systems and trained customs and law enforcement officers. Capacity-building has been provided to Article 5 countries that produce controlled substances to ensure controls on the levels of production are in place, including licensing and quota systems, measures to ensure that controlled substances produced for feedstock use are used for that purpose, and controls on exports for which non-controlled uses of such substances remain.
- ▶ Institutional strengthening projects aim to provide the necessary resources to facilitate the expeditious and effective phase-out of controlled substances within the country and strengthen its capacity long term. The Executive Committee approved the first institutional strengthening project at its 6th meeting. Since then, that support has continued given the critical role those projects play in the implementation of Montreal Protocol-related activities.

Project development, review, and implementation

Approved funding is transferred in full to the four implementing agencies (i.e., UNDP, UNEP, UNIDO, and the World Bank) for implementation of the projects approved by the Executive Committee. Implementing agencies have in place and apply their own enterprise risk management and internal control frameworks to assess partner capacity and risk, in accordance with UN and other relevant rules and procedures. For example, when preparing project proposals, agencies always discuss technology selection with enterprises, including the capacity of those enterprises to safely and successfully implement the new technology.

The Multilateral Fund Secretariat's project review examines:

- ▶ the consumption and, where relevant, production data for the country concerned;
- ▶ the capacity of institutions and enterprises to undertake the planned activities;
- ▶ policy and regulatory frameworks to support the sustained phase-out; and
- ▶ measures that may have been undertaken in case of delays and challenges in implementation.

In reviewing proposals to convert manufacturing enterprises, the Secretariat always considers:

- ▶ the capacity of the enterprises to safely manufacture equipment with the proposed alternative technology; and
- ▶ the capacity of the technicians to safely install, maintain, and service such equipment, and the policy mechanisms that might be needed to mitigate risks to the successful uptake of new technology, which are particularly relevant when another non-controlled technology with a high global warming potential (GWP) is already broadly available in the market.

Data reporting and verification

- ▶ Country programme data reports provide detailed information on how controlled substances are used in Article 5 countries, allowing trends and areas of growth to be identified.
- ▶ Verification reports submitted under multi-year agreements provide important and independently verified information that include a risk assessment, an assessment on the operation of the import/export licensing and quota system and other monitoring systems in place, and confirmation of a country's compliance with the targets specified in its Agreement with the Executive Committee.
- ▶ Independent verifications have provided useful recommendations to Article 5 countries to improve existing licensing and quota systems and the procedures to operate them in a reliable manner. The Multilateral Fund Secretariat is directly involved in reviewing the findings and recommendations contained in a verification report and brings relevant issues to the attention of the Executive Committee for decision.

Communicating sustainability in project and other documents

Documents for tranches of HCFC phase-out management plans (HPMPs) include a section titled 'Sustainability of the HCFC phase-out and assessment of risks,' which includes a brief analysis of:

- ▶ the activities and regulatory measures implemented to ensure the sustainability of HCFC phase out achieved through conversion(s) in the manufacturing sector;
- ▶ the sustainability of the training programmes (so they can continue being provided after the completion of the HPMP);
- ▶ the overall sustainability of the reductions in HCFCs achieved through the HPMP; and
- ▶ partner capacity and qualitative risk. Challenges due to partner capacity, market uptake of new technologies, and delays in implementation, including policy and regulatory measures, are identified as well as the steps to address those challenges.

A similar section will also be included in the documents for tranches of Kigali HFC implementation plans (KIPs).

Documents for new stages of HPMPs also include a section titled 'Sustainability of the HCFC phase out and assessment of risks,' which encompasses:

- ▶ a qualitative assessment of the risks to the project and its sustainability addressing partner capacity, possible challenges in the market uptake of new technologies, the implementation timeline, the role of enterprises and organizations not participating in the project, and other challenges;
- ▶ measures to mitigate the risks identified above, including how the phase-out will be sustained after the completion of the stage of the HPMP; and
- ▶ a description of how ensuring sustainability will be monitored and reported, including in subsequent tranche implementation reports.

A similar section will also be included in the documents for new stages of KIPs.

Looking at the future

The scorecard of the Multilateral Fund will track and reflect indicators and metrics on sustainability and risk management. In cases where common risks are identified across planned HCFC or HFC projects, or those under implementation, the Secretariat will, as appropriate, include a new section to:

- ▶ the documents on tranche implementation delays;
- ▶ the annual consolidated progress report describing common risks across projects under implementation;
- ▶ the overview of issues identified during project review describing policies or measures proposed under new proposed projects to mitigate risk and ensure sustainability; and, as needed
- ▶ the consolidated business plan identifying possible prospective risks.