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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**INSTITUTIONAL STRENGTHENING PROJECTS:
IMPLEMENTATION OF DECISION 27/10**

This submission is prepared by the Secretariat in response to Decision 27/10 by which the Executive Committee decided

- “(a) To request the Secretariat to invite members of the Executive Committee to provide to the Secretariat before 1 May 1999 their views on the effectiveness of existing institutional strengthening arrangements and the functioning of ozone units;
- (b) To request the Secretariat, in cooperation with the Implementing Agencies, to prepare a document for the next meeting of the Sub-Committee on Monitoring, Evaluation and Finance summarizing the main features of Implementing Agencies’ existing agreements for institutional strengthening.”

The document consists of two parts: Part I presents the comments received by the Secretariat from members of the Executive Committee as of the deadline, and Part II sums up “the main features of Implementing Agencies’ existing agreements for institutional

PART I

1. Fifteen responses were received from eight members of the Executive Committee and seven co-opted countries (Algeria, Brazil, Burkina Faso, China, India, Japan, Sweden, Uganda, Colombia, Germany, Iran, Jordan, Nigeria, Uruguay, and Zambia).
2. The comments included in these responses have been sorted by the Secretariat according to themes, which emerged from the submissions and are presented accordingly. In doing so, attributions are provided on the source of the quotations. All the submitted comments could, however, be made available upon request.

COMMITMENT OF THE GOVERNMENT TOWARDS THE OZONE OFFICE

Brazil:

3. The Parties of the Montreal Protocol are well aware that they cannot rely solely on market-based instruments and international regulations to meet their responsibilities under the Protocol. Compliance with the Protocol can only be assured if the countries adopt, on the domestic level, a consistent set of policies especially designed to phase-out ODSs. It requires the establishment of an administrative structure which will provide to government experts and decision makers the means to follow the development of implemented policies and to update these policies not only in relation with the changing reality but also with the decisions of the Meetings of the Parties.

4. The daily routine of such a structure covers a wide range of activities, such as the monitoring of ODS's national consumption, the preparation of reports, the supervision of the projects to reduce the production and the consumption of ODS's, the coordination of the public sector with the private sector of the country, the analysis of all data related to ODS's and the elaboration of recommendations on the use of legislative and economic instruments that will promote the objectives of the Protocol.

5. The above described administrative structure has taken the shape of "Ozone Units", supported by the Multilateral Fund in the developing countries through Institutional Strengthening Projects. The developing countries owe to the work of the Ozone Units much of the progress they have made to date in meeting the Protocol's requirements.

China:

6. China's Ozone Unit – Programme Management Office (PMO) has been set up within NEPA (National Environmental Protection Agency now named SEPA) in 1993.

7. PMO is under the leadership of China Leading Group for Ozone Layer Protection as a national executing agency to take responsibility of the overall implementation and management of all the MLF projects in China, coordination among different organizations involved and their sub-units and information collection and exchange. As an inter-department office, PMO serves

as a backup unit to provide an effective institutional mechanism for coordinating within the country, national and international of all sectoral efforts aimed at the speedy phase-out of ODS as specified in the China Country Programme for the phase-out of Ozone Depleting Substances.

Colombia:

8. Again, talking about our particular case, we face a problem in relation to employment status. We are not UNDP employees nor Ministry of Environment employees. That's why we are working on this issue with the juridical office in order to create a group which can be officially part of the Ministry, but avoiding to mix the budget altogether with the ministry's one, which otherwise would convert in national's budget. Very risky for the NOU functions and stability.

Germany:

9. The lack of effective and efficient coordination between NOUs and stakeholders was identified as the core problem that hampers the process of ODS phase-out in the countries. Besides the overall reason that there is no commitment from policy makers, several inadequacies which lead to insufficient capacity of ozone offices were noted:

- lack of interest from government decision makers,
- ODS phase-out given low national priority,
- no or insufficient stakeholder involvement,
- too many changes of ozone officers,
- ozone unit does not function on a full-time basis,
- additional work load for ozone officers,
- ozone offices not adequately established.

10. According to these findings, specific activities were formulated which are necessary to enhance the capacity of the ozone officers and ensure stakeholder involvement in order to create a sense of ownership.

India:

11. The Ozone Cell has provided a unique institutional framework to India, which has facilitated the implementation of work relating to Montreal Protocol in a totally new work orientation. The mechanisms that have been put in place because of the ISP have given the decision makers the necessary flexibility to take sound and quick decisions and not subject the Montreal Protocol processes and initiatives to the usual Governmental procedures. The Ozone Cell has served as a Secretariat and a coordinating mechanism for the Empowered Steering Committee, which has been constituted to oversee the functioning of the Protocol in India. This Committee has been granted all the powers of the Government and of various Government departments with an objective that necessary decisions regarding Montreal Protocol are taken at one place in a unified manner on behalf of the Government and the Cabinet. It has been possible to put in place all these innovative institutional mechanisms because of the ISP in India. In fact these institutional arrangements have become a new model for speedy decision-making in the

Government. We believe that similar innovative models have been set up in almost all the Article-t countries as a result of the Institutional Strengthening Projects.

12. We now have the baseline years for most of the controlled substances. In the next few months a more detailed picture of how the current consumption in Article-t countries is distributed among different sectors will become clear. It is also clear that a major part of this consumption entails tackling the consumption by a large number of small units & individual users, in particular in the refrigerant sector. To manage this new & challenging task, it requires a much greater involvement of Article-5 country authorities and an increased support to these authorities. It is necessary that the national ozone units be given the full support and position within their own government organizations. Only with full economic and political commitment from Article-5 countries and corresponding support from Article-2 countries will we successfully achieve the commitments of Montreal Protocol.

13. Many Article 5 countries do make substantial “counterpart” contributions to the financing and operation of the NOU’s, beyond the funds provided by IS projects.

Japan:

14. Japan has been carrying out capacity building training for government officials of Article 5 countries in charge of the protection of the ozone layer, especially in the areas of appropriate measures to protect the ozone layer and alternative technology.

15. In the course of this training, it is noted that there are a number of countries which are suffering from lack of appropriately organized arrangements in related government sectors for ozone layer protection (such problems as shortage of personnel specialized for ozone problems). And there lies a problem that officials in charge of ozone layer protection do not have sufficient information about measures to take alternative technology, etc.

Jordan:

16. Ozone units play an important role in assisting countries to fulfil their obligations under the Montreal Protocol, where they follow up the implementation of the decisions by the meetings of the Parties, the Executive Committee and other meetings.

Nigeria:

17. The present Institutional Strengthening arrangements include: establishment of National Ozone Offices/Units; and establishment of National Ozone Steering/ Sectoral Committees and Working Groups.

18. In order to oversee and guide the implementation of the activities of the Country Programmes, National ODS Officers and in some cases support staff were recruited/assigned/appointed.

19. Through NOUs, national contributions to phase-out of ODSs have in general been enhanced. For example, regional ODS offices have been opened up in Nigeria supported solely by government in addition to support given to the NOU.

Sweden:

20. The position of the Ozone Units within the authority in charge is often not strong enough to have the necessary influence. Officers at the Ozone Units are also sometimes assigned other tasks with higher priorities by their superiors. Equipment and financial resources designated for the Ozone Units are not always made fully and/or conveniently available to the units. In addition, experience gained is sometimes lost through re-organizations whereby officers with experience of ODS issues are moved to new duties without due considerations to the effects on the ODS phase-out programs.

Uruguay:

21. It is essential to count with the Government officials in the preparation of legal and economical instruments that support other types of national measures in the implementation of the ODSs' reduction schedule.

Zimbabwe:

22. In most developing countries particularly low volume consuming countries, issues of environment especially on ozone depletion and protection are not high on their development agendas. Hence, there is very little commitment of resources for such activities.

23. Institutional Strengthening projects have thus articulated government commitment to protection of the ozone layer. Thus without these arrangements many governments would have ignored these issues and concentrated their efforts on poverty alleviation, economic growth and other pressing issues.

CONTRIBUTION TO PUBLIC AWARENESS ABOUT OZONE PROTECTION

China:

24. PMO has organized a series of campaigns on increasing public awareness, such as training, propaganda, declarations and proclamations, disseminating information on Ozone Layer protection through radio, TV and other media, and etc.

Iran:

25. Along with other efforts on public awareness issue, a bulletin is published quarterly, a colour poster and a colour stamp created by national designers were printed and disseminated under the supervision of the Ozone Office commemorating the 10th anniversary of the Montreal Protocol.

Nigeria:

26. The ODS Officers have particularly been responsible for organizing and coordinating the various information exchange, public awareness and training activities.

CONTRIBUTION TO DATA COLLECTION AND REPORTING

China:

27. PMO collected the data on ODS production, consumption, import and export. These data have been reported to the Ozone Secretariat annually.

Iran:

28. Collecting, collating, analyzing and disseminating information on ODS consumption and the phase-out activities to relevant organizations.

Nigeria:

29. The units are also responsible for preparing and submission on regular basis the performance reports on the implementation of activities under the Country Programmes. This includes monitoring and recording the consumption and use of the controlled substances, monitoring and evaluating; the implementation of the Country Programme, and reporting data and information as necessary to the Ozone Secretariat, Fund Secretariat and the Implementing Agencies.

Sweden:

30. Many Ozone Units still seem to lack a comprehensive picture of the current distribution of ODS consumption by sub-sector and, therefore, on actions needed to achieve the required reductions in time. The Executive Committee has contributed to this by stressing the need to meet the freeze level (or, now, the 2005 reductions), rather than stressing the need for a full long-term planning up to 2010 (and beyond).

CONTRIBUTION TO ENACTING OF LEGISLATION AND IMPORT CONTROL

Burkina Faso:

31. The ozone units intervene for ratifications of the different amendments to the protocol in parliament.

China:

32. Has trained and improved the capacity of Local Environmental Protection Bureaux for assisting SEPA to monitor enterprise's compliance with MLF guidelines on non-use of ODS after project completion and the disposal of ODS equipment on project completion. In addition,

a monitoring system has been established based on the existing administrative framework and management responsibilities of government agencies concerned. But due to the lack of the necessary support fee, this work to be developed in the future under the MLF.

33. Has issued and implemented over 20 policies regarding ODS phase-out activities and is proposing to issue some new policies based on the new situations, especially for implementing sector plans. The core policies in China are the policy for production management and import and export management for ensuring that China can meet the ODS production and consumption phase-out targets.

India:

34. The effectiveness of the cell in formulating and designing policies to support ODS phase-out has been very significant. The Cell played an important role in formulating policy regarding granting of exemption from payment of custom and excise duties on capital goods required implementing ODS phase-out projects funded by MLF and new investments in non-ODS technology not funded by MLF. The import/export licensing system for Annexes A and B controlled substances was put in place on the initiative of the Ozone Cell. Also, export of these substances to non-Article-5 Parties and non-Parties has been banned. Ozone Unit in India has also finalized and notified the Ozone Depleting Substances (Regulations) Rules which involved substantial legal drafting work. The Unit was also involved in developing information dissemination packages for school teachers and NGOs and organizing other awareness generation programmes clearing house functions.

Iran:

35. Functioning as the secretary to the National Ozone Committee, the highest authoritative Governmental body and decision maker in the Country.

36. Preparation of strict regulations on import and consumption of ODS and study of the action plans of the countries who pioneered and enforced the laws on ODS related activities, registration of ODS users, mandatory reporting of ODS uses, and encourage voluntary cooperation among industries for the purpose.

Nigeria:

37. The Units have also assisted the National Steering/Sectoral Committees in formulating the necessary policy and legislation/laws and regulations for the protection of the ozone layer and controlling the ODS consumption.

Uruguay:

38. In this sense, it is considered that to adapt the governmental instruments so that they comply with the decisions of the Parties' Meetings and concur with the national policies as well as facilitate the approval and adoption of them by the competent authorities are tasks exclusively pertaining to the country's official field of activity.

Zimbabwe:

39. With the current staff complement, the operations of the unit are very satisfactory and effective. The Unit is contributing towards legislative and policy development on ozone protection. This could be happening in other countries.

40. I think it is important for Article five countries to take advantage of the institutional support and effectively comply with the Montreal Protocol.

CONTRIBUTION TO PROJECT IDENTIFICATION, IMPLEMENTATION AND MONITORING**China:**

41. Provided full assistance to the formulation of China's first Country Programme for the phase-out of ODS under the Montreal Protocol which the Government approved in January 1993. The original Country Programme is being updated under the organization by PMO now.

42. Successfully organized the preparation and formulation of a number of individual and umbrella projects related to the Country Programme in several sectors as solvent, foam, halon, aerosol, mobile Air-conditioning and refrigeration.

43. Successfully organized the preparation and formulation of series sectoral plans for halon sector, production sector and solvent sector. Among them the Sector Plan for Halon Phase-out and the Sector Plan for CFC Production Phase-out in China (closure part) have been respectively approved in 1997 and 1999.

44. Has set up an effective consulting team to assist the national senior decision-makers in managing their actions on the activities relating to ODS phase-out.

45. Has set up a national experts group for each sector with the cooperation of line ministries to provide backup technical support to the preparation and implementation of projects.

Iran:

46. Preparation of new project proposals for the elimination of the remaining ODS.

Identifying areas of common interests and needs among SMEs.

- Assessment of alternative technologies with the emphasis on economic and technical appraisal of projects, ODS transition management planning awareness on emerging technologies to ensure that SMEs are not adversely affected by the phase-out process.
- Development of a project for training of personnel involved in codification and identification of ODS containing substances and equipment; training of the Government technical staff in the implication of technology transfer through on-

site visits to initiate coordination of related activities; expand and upgrade of statistics of the custom network.

- Arrangement of workshops to provide Government and industry decision makers with basic information on ODS control policies and the latest available alternative substances and technologies.
- Organizing and coordinating the training of service technicians in refrigeration sector aiming at the establishment of a licensing system. So far, the Ozone Office has organized six (6) training courses for refrigeration service stations. Each course took 30 hours and participated by about 40 technicians

Jordan:

47. The Units have also been responsible for preparing phase-out projects for submission to the Fund Secretariat with necessary assistance from the Implementing Agencies, bilateral agencies, international consultants and local consultants.

48. Developing several investment projects in the sectors using ODSs through assisting the experts to obtain the necessary information to develop and carry out field visits to state enterprises and companies using ODS, providing advice and determining priorities of work;

49. Assisting in preparing specifications for projects, their tendering and evaluation as well as supervising the implementation and completion of these projects by companies;

50. Promoting technical capabilities to national companies through field visits to countries that have experience in ozone-friendly technologies.

Nigeria:

51. The Units have also been responsible for preparing phase-out projects for submission to the Fund Secretariat with necessary assistance from the Implementing Agencies, bilateral agencies, international consultants and local consultants.

Sweden:

52. There are indications that the implementing agencies, both the internationally and bilateral, do not always find it necessary to involve the Ozone Units closely in the planning and implementation of projects supported by the Fund. For the Ozone Units to take the responsibility for achieving the elimination of the ODS consumption, they have to be involved in such projects already at the planning stage.

53. The country Programmes constitutes a special problem in this context. On one hand, actions described in the Country Programme represent the agreed actions at the appropriate governmental level; on the other hand they are not always appropriate to cover the needs. The Country Programmes are written at an early stage, before the government officers in charge have

a good appreciation of the problems involved in phasing out ODS and, more or less, drafted by external consultants, which in turn promotes “off the shelf solutions”.

NEED FOR CONTINUED SUPPORT BY THE MULTILATERAL FUND

Brazil:

54. It has been often said that the successful history of the Montreal Protocol should not obscure the monumental task that still lies ahead. In this context, the developing countries will still need the support of the Institutional Strengthening Projects to face the challenge of keeping the momentum that has enable them to meet the freezing and reduction targets.

Burkina Faso:

55. We must give much more flexibility to the ozone units in resource management; because technology changes rapidly and we need information and communication in order to respect commitments. Software lasts a maximum of one year and we do not all have the same software; we need a strong machine in order to stock up on information and budgetary considerations that are insufficient and restrictive. We should renew the financing for the initial amount for the two-year period.

China:

56. It is very necessary to continue the institutional strengthening of ozone units for A5 countries till they totally phase-out ODS;

57. The effectiveness of existing institutional strengthening to be developed is that the national ozone unit should provide some more support to the provincial level organizations to accelerate the implementation, monitoring and management of ODS phase-out activities under the support by MLF.

Colombia:

58. Now talking about the NOU. It seems to me that is really important the continuity of this office since the results are proven. Nearly 50% of ODS reduced in five years with an investment of 10 million dollars. A lot of work to be done, like SMEs and Refrigeration Maintenance; also end users.

Germany:

59. Additional public awareness, the establishment of refrigeration associations, the involvement of the Bureau of Standards are activities which are not covered by the Institutional Strengthening funds and which are essential components for the purpose of meeting the Montreal Protocol's obligations in LVCs.

60. We would like to strongly suggest to support the above mentioned needs and that the MF continues to play an important role, although a clear commitment of the respective Governments' needs to be achieved.

India:

61. Non-investment projects would now increasingly become more important because awareness generation and training needs of SMEs will assume more importance and predominance. Reaching out to 10s and 1000s of SMEs in most of the Article 5 countries would require major awareness initiatives, which would in turn require higher funding. This would also necessitate funding of Institutional Strengthening Project (ISP) and strengthening of ozone units which are increasingly becoming the focal point of all activities related to ODS phase-out in an article 5 country. The present replenishment exercise should take care of at least 2 phases of ISP for every Article 5 country and keeping in mind the increasing role of ozone units and the special requirements of SMEs, each phase of ISP should be funded to the tune of at least US\$ 400,000 for a country with an ODS consumption of the level of India. This additional funding would be required for following reasons:

- (a) ODS Officers are coming under increased work pressure due to projects and activities for which they are expected to provide specialized resources.
- (b) Over the last 5 years ODS officers have been required to meet increasing reporting requirements under the MP.
- (c) Number of project activities – investment, training, awareness that ODS Officers handle are on the rise. Number of new issues (technical and policy options, Ex.Com guidelines, MOP decisions) he is expected to understand and act on are also increasing.
- (d) Policy assistance at national level (legal consultant, drafting of regulations) should be considered on priority.
- (e) The renewal of IS is based on funding approved for the initial project and does not recognize the above mentioned additional needs.

Iran:

62. A synoptic interpretation of our experience in retrospect reveals that there are some obstructions acting against the smooth functioning of ozone units; but could be removed through collaborative efforts of the international and national government bodies. Among such obstacles are:

- (a) inconsistency between the UN and the national policies, e.g. staff employment and payments,
- (b) lack of regular training programmes needed for ozone offices employees,
- (c) insufficient logistic support for transportation, etc.,
- (d) absence of any concept for incorporation of ozone units into formal national bodies in the future
- (e) lack of proper mechanism for regular exchange of experiences among ozone units.

Jordan:

63. As the funding level approved by the Executive Committee for five years emphasized ODS used in the developing countries and as the Protocol has brought new substances under control, the funding levels should be reviewed accordingly. In addition, the information available from countries on their consumption of ODS did not necessarily reflect the actual consumption due to lack of knowledge on the depleting substances at the time and the reticence of certain industries to provide information on their consumption of these substances.

64. Some implementing agencies require activities that need more efforts and expertise, while the present arrangements cannot be carried out by the available personnel or at the present level of funding.

65. Having independent work places for the ozone units is important for their success. Rented premises would be suitable and vital for the effective work of these units. Therefore, the funding for renting such work places should be considered.

66. Implementing agencies should take actions to support and coordinate the work of the ozone units regarding the implementation of projects, the Protocol and its decisions.

Nigeria:

- (a) The NOUs will continue to be essential for phase-out of ODSs in the Africa region.
- (b) The NOUs will continue to require adequate and timely funding and other support from the Multilateral Fund.
- (c) NOUs have been able to address small and medium-scale enterprises and the private sector.
- (d) The NOUs also provide good examples of institutional frameworks for the implementation of other international/global environment problems.

Uruguay:

67. Firstly, we wish to emphasize that the role that the Ozone Units assisted by the referred projects carry out is very important, due to the fact that they act as focal points between the national authorities and those corresponding to the Montreal Protocol. Particularly at this time to keep the impulse of activities developed by those offices that are working properly is a key factor for the good accomplishment of the obligations concerning ODS's consumption freezing and further reductions. At the same time, in the cases where delays in the compliance of the Country Programmes are found, it is considered that the best way of solution is to assist them according to each country's particular needs.

ISSUES RELATED TO THE AGREEMENT BETWEEN IMPLEMENTING AGENCIES AND THE GOVERNMENT

Sweden:

(i) Current Agreements on IS Projects and How They Influence the Situation

68. In our opinion, the current structure of the agreements on IS projects contributes to these problems, both psychologically and substantially. At the same time, they could also be part of a solution.

69. The support to the Ozone Units is at present designed as specific projects, with activities, work plan; timetable and outputs specified in the project documents. This structure has a negative impact in two respects. It brings with it an impression, within the government authority in charge, as well as to other government entities, that the task of the Ozone Units is something temporary, not fully part of the authority's main responsibility (considering the country's commitments under the protocol and the long lasting phase-out schedules, 2010-2040, the task of the Ozone Units should certainly be seen as a central and long-term task). This affects the internal position, strength and support given to the Ozone Units.

70. At the same time, pre-described activities remove the responsibility from the Ozone Units to consider activity and continuously what government actions are needed to reach the specified results.

71. The pre-specified activities, work plans and timetables (generally following the activities described in the Country Programme) can also lock limited resources into activities which, at closer consideration, are not the most important or best suited to achieve results.

72. There are several reasons why the IS projects are structured the way they are. First, the support to Ozone Units is a result of a compromise, taking into account the agreement in London 1990 that administrative costs should be carried by the Art. 5 countries themselves. As a result, there has been a tendency to see the Ozone Units as an assistance to the Executive committee and its Implementing Agencies for the implementation of fund supported projects, not as the government unit responsible for daily work to enable the country to meet its obligations under the Protocol. In line with this view, the Ozone Units are sometimes overloaded with detailed work on individual projects which diminishes their ability to focus on the overall elimination of the ODS consumption (as an example, the 25th ExCom meeting discussed a possible role for the Ozone Units in evaluating the financial viability of companies seeking assistance from the Fund).

73. Secondly, established procedures within international organizations presume that financial support should specify, not only the objectives and results, but also more or less in detail the activities, work plan, timetable and outputs. This basic concept is not well suited, neither psychologically nor substantially, to assistance of the type which is relevant in this case. For the Ozone Units to work effectively, it is essential that the objectives and conditions related to the support as well as reporting requirements are specified, but full freedom and flexibility on the means to reach the results must be given. As for any other government task, a precondition for success is a possibility for the officers in charge to learn by experience and to adapt the

strategies and implementation accordingly and continuously. No government officers in the developed countries would have been able to eliminate the ODS consumption successfully under these conditions.

(ii) Actions Proposed

74. It is crucial for all Parties that the Ozone Units can work effectively to eliminate the ODS consumption (and production). This relates not only to the Institutional Strengthening projects as such. The Fund's support to other non-investment related activities such as the regional networks for cooperation among ODS officers, materials produced by UNEP to assist the Ozone Units in phasing out ODS, etc. is also effective only if this assistance is given to units with the necessary role, position and support within their Governments.

75. Restructuring the current agreements between the Executive Committee and the Art. 5 government on the Institutional Strengthening Projects could be one useful tool to improve the situation. To this end, the Executive Committee should develop a Model Agreement – to be used by all Implementing Agencies – which should focus more on the position and role of the Ozone Units within the authority in charge and less on individual activities.

76. Such an agreement should ensure that the ozone unit is positioned within the government organization in such a way that it can fulfil its role successfully. the position, lines of command, responsibilities and qualifications of the head of the unit should be agreed between the Implementing Agency and government authority in charge before signing the agreement. The ozone unit should be part of the mainstream organization and be able to count on the necessary support from other relevant entities within its organization, e.g. legal departments.

77. The agreement should highlight the responsibility for the Government to ensure the resources provided by the Multilateral Fund for Institutional Strengthening are fully dedicated to work on the task of eliminating ODS consumption and production, including that equipment and financial resources should be made fully and conveniently available to the unit. The Government should avoid transferring officers from the ozone unit to other duties without prior consultation with the Implementing Agency in charge of the Institutional Strengthening project.

78. The Government should make sure that enough resources are assigned to the task of phasing out ODS within the authority in charge. In line with the agreement in London, Art. 5 countries should not count on that the resources provided by the Fund will be enough to manage the task. For instance, even in low-volume-consuming countries, one officer is unlikely to be enough. Having only one officer involved also puts the authority in a very vulnerable position, if this officer decides to move to another job.

79. Finally, the agreement should specify reporting responsibilities with regard to measures taken and problems encountered.

80. The Model Agreement should, on the other hand, not specify activities, work plan and timetable for activities to be undertaken with the possible exception on the establishment of a reliable monitoring system mentioned below.

81. In order to incorporate these aspects in the agreements on Institutional Strengthening projects, some countries might have to reconsider the present organization and allocation of the responsibility for ODS issues. It is entirely the prerogative of the Government to decide where to place the primary responsibility for the Government's obligations to meet the requirements under the Protocol. But it is essential that the support given by the Fund, both through Institutional Strengthening projects and through other non-investment projects, can be directed to a unit which has this responsibility.

(iii) Reliable Monitoring Systems

82. A reliable system to monitor imports, exports and production of ODS is critical for any strategy to implement the Montreal protocol commitments. Without it, it is neither possible to evaluate the results achieved nor to plan what actions are needed and, consequently, also not what assistance from the fund is needed.

83. The main challenge relates to the establishment of a reliable system to monitoring imports and exports. Customs statistics are not and cannot be a reliable source. As stated in the Montreal Amendment, import and export licensing systems will become mandatory under the protocol. Such systems will provide the most direct and, therefore, simplest and most reliable tool to monitor ODS imports and exports. As a minimum an import/export licensing system can be set up with the sole objective of monitoring ODS imports and exports – although it is more efficient to also use it to control and limit such trade. It would, therefore, be reasonable to include an agreement to set up an import and export licensing system as part of a Model Agreement on IS projects.

PART II

84. In response to Decision 27/10, three implementing agencies provided copies of the agreements they enter into with the recipient country following the approval of the institutional strengthening project by the Executive Committee. The World Bank does not have a separate agreement for IS projects. However, provision for implementation of IS projects are included in a grant agreement covering several sectors.

85. Since a few of these documents are quite bulky, the Secretariat is not submitting these originals as they are received but rather present “ the main features” of these agreements, as per the request of the Executive Committee. However these originals will be made available upon request.

PROCESS FOR ENTERING INTO AGREEMENTS

UNDP

86. After an institutional project or a renewal is approved by the Executive Committee, UNDP adds to the approved project proposal a relevant cover sheet, the budget page, the work plan and the legal context. This document becomes the draft agreement between UNDP and the recipient government. The draft agreement is then signed by UNDP represented usually by its resident representative in the country and the representative of the recipient government.

87. Since the Standard Basic Assistance Agreement (SBAA) which UNDP enters into with each government to which it provides assistance provides the organization with the financial, legal and administrative authority to act, it does not need additional legal or grant agreement for the implementation of the institutional strengthening projects.

UNIDO

88. There was a change starting from the 2nd quarter of 1997 in the processing within UNIDO of an institutional strengthening project or a renewal following the approval by the Executive Committee. This change was a response of UNIDO management to a recommendation by the External Auditor. Prior to 1997, the project proposal was signed as it was approved between UNIDO management and the representative of the recipient government.

89. Since 1997, the project concept as approved by the Executive Committee has to be transformed into a more detailed document to serve as the draft agreement for signature. The new format as compared to the old format includes more rigorous financial oversight and reporting requirement. For instance the new format includes a standard contract for managing personnel expenditure under the project and a more elaborate format for semi-annual reporting.

UNEP

90. Once an institutional strengthening project or a renewal is approved by the Executive Committee, the project is transformed into a standard UNEP contractual agreement which contains details on activities, workplace and schedule, reporting requirements, results and

outputs, cash requirements, legal obligations of UNEP and the country concerned and a detailed budget.

91. Once it is cleared by the government, the document is signed by UNEP and the representative of the government.

WORLD BANK

92. The World Bank does not enter into a separate agreement for the implementation of the institutional strengthening projects rather uses the overall coverage of the grant agreement it is obligated to sign with the recipient government when the Bank started its activities under the Multilateral Fund in the country. According to the Bank, the objectives and roles of relevant agencies that would undertake these projects are described in the grant agreements. Terms and conditions for the institutional strengthening components in the grant agreements vary slightly from country to country.

93. From the two samples provided by the World Bank for preparing this paper, the grant agreements includes in each case a few paragraphs about the functions of the ozone office, like setting up of the ozone panel, establishing of monitoring system for the consumption of ODSs, programme for awareness of ozone issues by the public and industry, and framework for regulation of use of ODSs in the future.

MAJOR ITEMS IN THE AGREEMENTS

94. Apart from the World Bank which, as discussed earlier, does not have a separate agreement for institutional strengthening projects other than the grant agreement, the UN agencies follow similar formats for their agreements with the recipient countries, with UNIDO and UNEP using exactly the same format. The major items include:

Section on project data

95. Includes such data as project title, number, duration, cost summary, implementing/executing agency and signatures of government and implementing agency.

Section on project justification and background

96. Discusses the commitment of the country towards the Montreal Protocol, the need of the country for upgraded capacity to manage the national phase out programme, the support of the Multilateral Fund and the prerequisites for the success of the project.

Section on outputs, activities, work plan and timetable, budget and follow-up

- Establishes outputs to be achieved, like a well-functioning ozone office, adoption of ozone-friendly technologies, annual report on ODS consumption, etc.
- Lists activities and schedule of implementation, usually in a matrix.

- Provides a detailed budget on the basis of the budget approved by the Executive Committee. In the case of UNIDO, a budget for counter-part contribution is also included. This section also provides the conditions and schedule for cash advancement by the implementing agency to the ozone office.
- Establishes the responsibility of the ozone office for executing the project and implementing agency for providing technical support to the ozone office.

Section on institutional framework and evaluation

97. Discusses the management hierarchy of the project both between the government and the implementing agency, and among the departments in the government. It also establishes the responsibility for evaluation.

Section on monitoring and reporting and other terms and conditions

98. Discusses the types and frequency of reporting required. In addition it includes a discussion of the general terms and conditions which stipulates that the transferral of ozone officer to other duties requires the consultation between the government department and the implementing agency and that procurement of the equipment under the project whether imported or locally purchased should be exempted from local duties and taxes.

MONITORING AND REPORTING

99. As monitoring tools, all 4 implementing agencies require periodic reporting from the ozone offices both on substantive and financial matters, using prescribed formats. These are summarized in the following table:

| Report | Frequency | Implementing agency |
|--|----------------------------|-----------------------|
| Progress report | Semi-annual | UNIDO, UNEP, UNDP, WB |
| Expenditure report | Quarterly | UNIDO, UNEP, UNDP |
| Expenditure account certified by Gov. auditor | End of year | UNIDO, UNEP |
| Inventory of non-expendable equipment purchase | Semi-annual | UNIDO, UNEP, |
| Cash advance request | Quarterly or when required | UNDP, UNIDO, UNEP |

FINANCIAL OVERSIGHT

100. Financial oversight is exercised by UN agencies through the following means:

- A separate account for the institutional strengthening project be opened.
- Submission of quarterly cash advance request and expenditure report, certified by duly authorized officer in the ozone office.
- Submission of end of the year expenditure account, certified by government auditor.
- Submission semi-annually of updated inventory of non-expendable equipment procured with project funds.