



# **Multilateral Fund**

for the Implementation of the Montreal Protocol

**Resource mobilisation to address  
climate co-benefits for HCFC phase out  
in the context of Multilateral Fund**

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**Decisions and policies**

**Presented by the Fund Secretariat**

**Joint Network Meeting of Ozone Officers of Latin America and the Caribbean**

**Kingston, Jamaica, 1-4 October 2013**



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## History of discussions in the Executive Committee

- Chiller projects (dec. 46/33)
  - “submit [...] project proposals that could be replicated in other countries to demonstrate the feasibility of and modalities for replacing centrifugal chillers in the future through use of resources external to the Multilateral Fund”
  - Political decision to support chillers despite not finally clarified eligibility
  - Various approaches by implementing agencies, among them:
    - GEF
    - Partial funding
    - Carbon credits
- Guidelines for HPMPs (dec. 54/39)
  - Countries and agencies were encouraged to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties



## History of discussions in the Executive Committee (II)

- 55<sup>th</sup> Meeting: ....return [of funds] in relation to the chiller concessional loan project for Thailand [...]
- Dec. 55/2: Consider at the 57<sup>th</sup> Meeting a facility for additional income from loans and other sources to be maintained and the potential uses of those funds
- Discussion at 57<sup>th</sup>, 58<sup>th</sup>, 59<sup>th</sup>, 60<sup>th</sup>, 61<sup>st</sup>, 62<sup>nd</sup> and 63<sup>rd</sup> Meeting
- 63<sup>rd</sup> meeting: Approve funding [...] for the preparation of [...] pilot demonstration projects to examine [...] intervention [...] in order to maximize the climate impact of HCFC phase-out, to be funded as resource mobilization activities [...] and note that the funds approved would be taken from the budget reserved for unspecified projects that had been set aside from the funds returned from the Thai chiller project



## Current framework for co-funding within the context of the MLF

- MLF pays incremental cost for eligible items or activities typically on a grant basis
  - If eligible items/activities are co-funded, the incremental cost would be reduced accordingly – no gain for the co-funder
    - Discourages external resources
    - Concerns about replacing need for MLF funding / sustainability of MLF
- Funding for ineligible / non-incremental items
  - Ineligible cost (e.g. not linked to compliance)
  - Ineligible companies (establishment date / ownership)
  - Ineligible activities (component improvement, installations of new systems, energy efficiency improvements, activities related to HFC)
- Reasons for interest to provide co-funding seen so far
  - Decision XIX/6
    - Energy consumption issues
    - Climate benefits (Energy and direct emission/GWP)



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## ExCom decisions on resource mobilization for climate benefits

### Decision 63/20:

- Approved US\$ 200,000 for **UNDP** for the preparation of four pilot demonstration projects in the refrigeration and air-conditioning manufacturing sector to examine technical intervention to improve energy efficiency, national policy and regulatory measures to sustain such intervention in order to maximize the climate impact of HCFC phase-out as resource mobilization activities

### Decision 63/22

- Approved US\$100,000 for **UNEP** for a study on financing options, regional workshops on co-financing, and/or one or more pilot applications of co-financing for one or more low volume consuming countries with an approved HCFC phase-out management plan, to be funded as resource mobilization activities



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## ExCom decisions on resource mobilization (continued)

### Decision 63/23:

- Approved US\$ 200,000 for **UNIDO** for the preparation of two project proposals for possible co-financing for HCFC activities, to be funded as resource mobilization activities.

### Decision 63/24

- Approved US\$180,000 for the **World Bank** for a study that would focus solely on monetizing carbon credits, to be funded as a resource mobilization.



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## ExCom decisions on resource mobilization (continued)

*Each decision approving the resource mobilization activities for the agencies included the following condition:*

That in submitting reports on the activities undertaken so far, each agency should include the consideration of the following elements in the reports:

- (i) Additionality of the projects proposed;
- (ii) Transparency and good governance, as well as covering the cash flow;
- (iii) Assurance that these projects would avoid perverse incentives for countries;
- (iv) Exploring possibilities of profit-sharing, including return of funds to the Multilateral Fund;
- (v) Ensuring sustainability of the projects proposed;
- (vi) Avoidance of duplication of similar projects;
- (vii) Information on transaction costs;



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## Progress so far on resource mobilization activities under the MLF

**UNDP submitted a report to the 69<sup>th</sup> Meeting, highlighting achievements made towards resource mobilization, and cited among others that:**

- Funding was received (outside MLF contribution) for demonstration and application of GWP and energy efficient technologies in India, Indonesia and Malaysia for the polyurethane (PU) foam and commercial air-conditioning and refrigeration sectors;
- A proposal was developed for funding by the Global Environment Facility (GEF) for Indonesia focusing on financing of energy-efficiency improvements in the air-conditioning and refrigeration sectors in collaboration with the UNDP-GEF Climate mitigation team;





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## Progress so far on resource mobilization activities under the MLF

**UNEP submitted only an interim report to the 69<sup>th</sup> meeting, highlighting among others that:**

- Funding had been programmed for the study component and that the TOR is being prepared;
- For the workshop component, funds have also been allocated to the regional CAP teams;
- Workshops are planned and proposed to be held with network meetings in 2013;



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## Progress so far on resource mobilization activities under the MLF

### UNIDO's final report contained the following main highlights:

- It focused on the GEF as a potential funding source and partner for these activities, and identified the Gambia, Morocco and Viet Nam for projects in the fishery and food processing sectors.
- This resource mobilization project had allowed UNIDO to put in place a process of exploring co-financing sources, designing new ideas, selection of target countries and ensuring synergies with the projects already approved under the Multilateral Fund helped UNIDO to better understand the complex issues of generating climate co-benefits for HCFC phase-out projects.



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## What would co-funding mean in the context of MLF projects?

- Assumption: Co-funding would not cover eligible incremental cost
- Possibility 1: Increasing the outreach of (restricted) MLF projects serving essentially the same purpose
  - Example: Chiller projects
- Possibility 2: Using the outreach and activities generated by MLF projects to add (piggyback) activities serving a somewhat different but compatible purpose
  - Example: Energy efficiency projects
- Possibility 3: Using MLF projects to cover one ODS-related angle of a larger project
  - Example: Destruction as part of a refrigerator-buy-back scheme to increase energy efficiency



## What are the avenues for co-funding of MLF projects?

- Centrally: Through the MLF
  - Presumably one co-funder would support several projects
  - Administratively possible – similarity to other contributions
  - Not tried out yet
  - Presumably ExCom would have control over operational use within agreed framework
    - ExCom would need to develop guidelines (e.g. handling of non-incremental cost)
  - Presumably: Framework would need mutual agreement Co-funder/ExCom
- Distributed: Through the agencies
  - Presumably specifically for each project
  - Been frequently done before
  - Typically on a case-by-case basis, wide variety of co-funders
  - ExCom would have limited need/possibility to influence the process other than through specifications in approvals

Thank-you

Indonesia Malaysia India  
Viet-Nam  
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