



**United Nations  
Environment  
Programme**



Distr.  
General

UNEP/OzL.Pro/ExCom/33/17  
27 March 2001

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-third Meeting  
Montreal, 28-30 March 2001

**REPORT OF THE TWENTY-SECOND MEETING OF THE  
SUB-COMMITTEE ON PROJECT REVIEW**

Introduction

1. The Sub-Committee on Project Review of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol met in Montreal, from 26 to 27 March 2001.
2. The meeting was attended by representatives of Colombia, Germany, India, Japan (Chair), Malaysia, Tunisia and the United States of America,
3. In accordance with the Terms of Reference of the Sub-Committee, the following attended the meeting as observers:
  - (a) representatives from Australia, Finland; and
  - (b) representatives of the implementing agencies, the Ozone Secretariat and Greenpeace International.

## **AGENDA ITEM 1: OPENING OF THE MEETING**

4. The meeting was opened by the Chairman of the Sub-Committee, Mr. Inomata (Japan), at 10 a.m. on Monday, 26 March 2001.

## **AGENDA ITEM 2: ADOPTION OF THE AGENDA**

5. The Sub-Committee adopted the following agenda on the basis of the provisional agenda contained in document UNEP/OzL.Pro/ExCom/SCPR/22/1 and agreed to discuss, under other matters, the issue raised by one representative on the use by implementing agencies of some members of the Executive Committee as consultants:

1. Opening of the meeting
2. Adoption of the agenda
3. Introductory remarks by the Chief Officer
4. Organization of work
5. Issues identified during project review
6. Bilateral cooperation
7. Work programmes:
  - (a) 2001 work programme of UNDP
  - (b) 2001 work programme of UNIDO
  - (c) 2001 work programme of the World Bank
  - (d) 2001 work programme amendments of UNEP
8. Investment projects
9. Policy papers:
  - (a) Prerequisites for terminal phase-out in the refrigeration sector
  - (b) The use of the 13 per cent allowance for support costs
  - (c) Strategic framework for national, subregional and regional customs training
  - (d) Strategy plan for ODS phase-out from production in the extruded polyethylene and polystyrene foam sub-sector in China
  - (e) Draft guidelines for the preparation of country programme updates
10. Other matters

11. Adoption of the report
12. Closure of the meeting.

### **AGENDA ITEM 3: INTRODUCTORY REMARKS BY THE CHIEF OFFICER**

6. The Chief Officer welcomed the members of the Sub-Committee on Project Review. He said that the agenda of the current meeting would focus on the year 2001 work programmes of the implementing agencies, and on consideration of the proposals for bilateral projects and of the project proposals that had been deferred by the Executive Committee at its 32<sup>nd</sup> Meeting.

7. He noted that, with the exception of the funding requests submitted in accordance with the agreements between the Executive Committee and the Government of China on the closure of its CFC production plants and the solvent sector phase-out plan, the India CFC production sector gradual phase-out programme and the investment projects deferred from the 32<sup>nd</sup> Meeting, totalling some US \$39 million, no new investment projects were submitted.

8. He reported that the funds available for commitment from the Multilateral Fund currently stood at about US \$56 million, thanks to the speedy contribution of US \$24 million made by the United States of America and that depending on the Sub-Committee's recommendations in certain of the cases, that figure would be more than adequate to fund all of the projects recommended for approval at the current meeting.

### **AGENDA ITEM 4: ORGANIZATION OF WORK**

9. Following the suggestion of the Chair, the Sub-Committee decided to organize its work in accordance with the provisional agenda contained in document UNEP/OzL.Pro/ExCom/SCPR/22/1.

### **AGENDA ITEM 5: ISSUES IDENTIFIED DURING PROJECT REVIEW**

#### **(a) Funding of updates for refrigerant management plans**

10. The Chair drew the attention of the Sub-Committee to paragraphs 4 to 8 of the overview paper (UNEP/OzL.Pro/ExCom/33/18).

11. He noted that the issue was related to requests to update refrigerant management plan (RMP) projects that were currently under implementation with additional funding requests to prepare retrofit incentive projects. Following a discussion, the Sub-Committee recommended that the Executive Committee decide that proposals to update RMPs should be in conformity with Decision 31/48 and should be accompanied by a progress report from implementing agencies on the status of work being undertaken in the projects approved as part of the RMP and

a written justification from countries for additional activities, explaining how the additional activities were related to the RMP and the country's phase-out commitments. The level of funding of such requests could be up to 50 per cent of the level of funding approved prior to the Thirty-first Meeting for the preparation of the original RMP. Approval of the additional funding would be contingent on submission of the progress reports and the written justification referred to above.

(b) Confidentiality of project data

12. The Chair drew the attention of the Sub-Committee to paragraphs 9 to 19 of the overview paper (UNEP/OzL.Pro/ExCom/33/18).

13. Following a discussion and informal consultations, the Sub-Committee recommended that the Executive Committee:

- (a) Request the implementing agencies to provide the Secretariat with all the information it required to complete its review of projects proposed for submission to the Executive Committee while safeguarding, as appropriate, information considered by governments or enterprises to be commercially sensitive;
- (b) Noting that the Secretariat is utilizing standard United Nations contracts which contain clauses requiring ongoing confidentiality, request the Secretariat to resume its review of the Rishiroop project on the basis of the guidance provided in paragraph (a) above, for submission to, and consideration by, the Executive Committee at its 34<sup>th</sup> Meeting;
- (c) Noting that the funding of technology which was not in the public domain raises issues never dealt with by the Executive Committee in the past, request the Secretariat to consult relevant international agencies and prepare a paper on this issue to be submitted to the 35<sup>th</sup> Meeting of the Executive Committee.

(c) Change in technology

14. The Chair drew the attention of the Sub-Committee to paragraph 20 of the overview paper (UNEP/OzL.Pro/ExCom/33/18), noting that the World Bank had submitted a proposal for change in technology for Cool Industries, an enterprise in Pakistan manufacturing domestic refrigerators. The enterprise wished to convert to hydrocarbon technology for the insulation foam. The original project had proposed the use of HCFC-141b. The Secretariat had reviewed the proposal and agreed that it was consistent with decision 22/69 on change in technology in approved projects and that it should proceed. Additional funding was excluded by decision 22/69 and was not sought in this case.

15. Following a discussion, the Sub-Committee recommended that the Executive Committee note the request for change in technology for Cool Industries.

**AGENDA ITEM 6: BILATERAL COOPERATION**

16. The Chair drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/19, on bilateral cooperation. Five requests for approval of bilateral cooperation had been submitted from the Governments of the Czech Republic, Germany and Switzerland.

17. Following a discussion, the Sub-Committee recommended that the Executive Committee approve the requests for bilateral cooperation, as contained in documents UNEP/OzL.Pro/ExCom/33/19, with the amendments below, at the level of funding indicated in Annex I to the present report.

Georgia: Development of the certification system for refrigeration technicians (Czech Republic) (UNEP/OzL.Pro/ExCom/33/19)

18. The Chair referred to paragraphs 4 to 11 of document UNEP/OzL.Pro/ExCom/33/19.

19. Following a discussion in which it noted that the request had not taken into account the RMP currently under implementation in Georgia, the Sub-Committee recommended that the Executive Committee defer the proposal and request the Fund Secretariat to advise the Czech Republic to coordinate with UNDP and UNEP, as the agencies responsible for the implementation of the RMP in Georgia, for additional work to be undertaken to address the requirements of decision 31/48.

Senegal: Implementation of the refrigerant management plan: Demonstration project to retrofit domestic refrigerators for the use of hydrocarbon refrigerant (Switzerland) (UNEP/OzL.Pro/ExCom/33/24/Senegal)

20. The Chair drew the attention of the Sub-Committee to paragraphs 18 to 23 of document UNEP/OzL.Pro/ExCom/33/24/Senegal.

21. Following a discussion, the Sub-Committee recommended that the Executive Committee approve the above project at the level of funding indicated in Annex I to the present report.

22. At the conclusion of its discussions on this agenda item, the Sub-Committee recommended that the Executive Committee request the Treasurer to offset the costs of the above bilateral projects, as follows:

- (a) US \$74,467 against the balance of Germany's bilateral contributions for 2001;
- (b) US \$71,230 against the balance of Switzerland's bilateral contributions for 2001.

## **AGENDA ITEM 7: WORK PROGRAMMES AND AMENDMENTS**

### **(a) 2001 work programme of UNDP**

23. The representative of the Fund Secretariat drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/20 and Corr.1 containing the 2001 work programme of UNDP.

24. The Sub-Committee recommended that the Executive Committee approve UNDP's 2001 work programme, as contained in document UNEP/OzL.Pro/ExCom/33/20 and Corr.1, with the amendments below, at the level of funding indicated in Annex I to the present report.

#### Malaysia: Project preparation in the integral skin foam sector

25. The Chair drew the attention of the Sub-Committee to paragraphs 11 to 14 of document UNEP/OzL.Pro/ExCom/33/20.

26. After considering that a national CFC phase-out programme for Malaysia was to be submitted by the World Bank during 2001, and following a discussion, the Sub-Committee recommended that the Executive Committee defer the above project preparation request.

#### Ghana: Project preparation in soil fumigation (curcubits)

27. The Chair drew the attention of the Sub-Committee to paragraphs 15 and 16 of document UNEP/OzL.Pro/ExCom/33/20.

28. Given that Ghana had now deposited letters of ratification of the Copenhagen Amendment, the Sub-Committee recommended that the Executive Committee approve the above project preparation request at the level of funding indicated in Annex I to the present report.

#### Iran: Project preparation in the domestic refrigeration sector

#### Iran: Project preparation in the commercial refrigeration sector

29. The Chair drew the attention of the Sub-Committee to paragraphs 17 and 18 of document UNEP/OzL.Pro/ExCom/33/20 and Corr.1.

30. The Sub-Committee recommended that the Executive Committee defer the above project preparation requests until the ODS consumption data submitted by the Government of the Islamic Republic of Iran had been clarified.

#### Liberia: Refrigerant recovery and recycling

31. The Chair drew the attention of the Sub-Committee to paragraphs 19 and 20 of document UNEP/OzL.Pro/ExCom/33/20.

32. The Sub-Committee recommended that the Executive Committee defer the above project proposal until the country programme had been submitted, the RMP had been prepared, and relevant policy measures were in place.

Chad: Refrigerant management plan update

Chad: Project preparation in the refrigeration end-user sector

Congo: Refrigerant management plan update

Congo: Project preparation in the refrigeration end-user sector

Gabon: Refrigerant management plan update

Gabon: Project preparation in the refrigeration end-user sector

Georgia: Refrigerant management plan update

Niger: Refrigerant management plan update

Niger: Project preparation in the refrigeration end-user sector

Uruguay: Refrigerant management plan update

Uruguay: Project preparation in the refrigeration end-user sector

33. The Chair drew the attention of the Sub-Committee to paragraphs 21 to 26 of document UNEP/OzL.Pro/ExCom/33/20.

34. He noted that the issue was related to requests to update refrigerant management plan (RMP) projects that were currently under implementation with additional funding requests to prepare retrofit incentive projects in five of the six countries. Following a discussion, and consistent with the recommendation made on the related policy issue discussed in agenda item 5 (a), the Sub-Committee recommended that the Executive Committee defer the above project preparation requests, on the understanding that some of the requests may be eventually withdrawn.

Lebanon: Country programme update

Nigeria: Country programme update

35. The Chair drew the attention of the Sub-Committee to paragraphs 27 to 31 of document UNEP/OzL.Pro/ExCom/33/20.

36. The Sub-Committee recommended that the Executive Committee defer the above requests.

Morocco: Project preparation in the rigid foam sector

37. The Chair drew the attention of the Sub-Committee to paragraphs 20 (bis) and 20 (ter) of document UNEP/OzL.Pro/ExCom/33/20/Corr.1.

38. As required by decision 30/23 (b), the Sub-Committee recommended that the Executive Committee defer the above project preparation request until a clear delineation of remaining consumption in all sectors in Morocco was provided by UNDP.

**(b) 2001 work programme of UNIDO**

39. The Chair drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/21 containing the 2001 work programme of UNIDO.

40. The Sub-Committee recommended that the Executive Committee approve UNIDO's 2001 work programme, as contained in document UNEP/OzL.Pro/ExCom/33/21, with the amendments below, at the level of funding indicated in Annex I to the present report.

China: Strategy for the preparation of refrigerant management plan

41. The representative of UNIDO noted that China did not wish to proceed with preparation of an RMP at the present time and withdrew the proposal.

Malaysia: Project preparation for three projects in the rigid foam sector

42. The Chair drew the attention of the Sub-Committee to paragraphs 16 and 17 of document UNEP/OzL.Pro/ExCom/33/21.

43. After considering that a national CFC phase-out programme for Malaysia was to be submitted by the World Bank during 2001, and following a discussion, the Sub-Committee recommended that the Executive Committee defer the above project preparation request.

Albania: Project preparation in soil fumigation

44. The Chair drew the attention of the Sub-Committee to paragraphs 19 and 20 of document UNEP/OzL.Pro/ExCom/33/21.

45. The Sub-Committee recommended that the Executive Committee defer the above project preparation request until Albania's country programme was approved by the Executive Committee.

India: Project preparation in the process agent sector

46. The Chair drew the attention of the Sub-Committee to paragraphs 11 to 13 of UNEP/OzL.Pro/ExCom/33/21.

47. After considering the latest information provided by UNIDO and the World Bank concerning coordination of their activities in the process agent sector in India, and noting that the activity would form part of a sector plan being coordinated by the World Bank, the Sub-Committee recommended that the Executive Committee approve the above project preparation request at the level of funding indicated in Annex I to the present report on the understanding that it represented the funding for the pharmaceutical part of the sector plan and for project preparation in the pharmaceuticals sub-sector.

Mexico: Project preparation for the closure of CFC production facilities of Quimobásicos

48. The Chair drew the attention of the Sub-Committee to paragraph 22 of document UNEP/OzL.Pro/ExCom/33/21.

49. The Sub-Committee recommended that the Executive Committee defer the above project preparation until the technical audit of Quimobásicos had been undertaken.

Morocco: Project preparation in the commercial refrigeration (umbrella) sector

50. The Chair drew the attention of the Sub-Committee to paragraphs 23 and 24 of document UNEP/OzL.Pro/ExCom/33/21.

51. The Sub-Committee recommended that the Executive Committee defer the above project preparation request until a clear delineation of remaining consumption in all sectors in Morocco was provided by UNIDO.

Pakistan: Project preparation in the commercial refrigeration sector

52. The Chair drew the attention of the Sub-Committee to paragraph 6 of document UNEP/OzL.Pro/ExCom/33/21.

53. The Sub-Committee recommended that the Executive Committee defer the above project preparation request until a clear delineation of remaining consumption in all sectors in Pakistan was provided by UNIDO

Qatar: Implementation of the refrigerant management plan: Training of trainers in good refrigerant management practices (Phase I), training of refrigeration service technicians (Phase II)

Qatar: Implementation of the refrigerant management plan: Customs training programme

54. The Chair drew the attention of the Sub-Committee to paragraph 25 of document UNEP/OzL.Pro/ExCom/33/21.

55. Noting that the country programme for Qatar had been approved, but that the refrigerant management plan and the projects in it had not been submitted for funding, the Sub-Committee recommended that the Executive Committee defer the above project proposals until the RMP for Qatar was submitted in full to the Executive Committee.

Syria: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/21)

56. The Sub-Committee recommended that the Executive Committee approve the above project at the level of funding indicated in Annex I to the present report; and express to the Government of the Syrian Arab Republic its observations contained in Annex II to the present report.

**(c) 2001 work programme of the World Bank**

57. The Chair drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/22 containing the 2001 work programme of the World Bank.

58. The Sub-Committee recommended that the Executive Committee approve the World Bank's 2001 work programme, as contained in document UNEP/OzL.Pro/ExCom/33/22, with the amendments below, at the level of funding indicated in Annex I to the present report.

Bahrain: Project preparation in the chiller sector

59. The Chair drew the attention of the Sub-Committee to paragraphs 6 to 8 of document UNEP/OzL.Pro/ExCom/33/22.

60. Following a discussion, and consistent with the recommendation made on the related policy issue discussed in agenda item 5 (a), the Sub-Committee recommended that the Executive Committee defer the above project preparation request.

China: Project preparation of a sector plan for the process agent sector in China

61. The Chair drew the attention of the Sub-Committee to paragraphs 9 to 13 of document UNEP/OzL.Pro/ExCom/33/22.

62. After considering the circumstances under which additional funds for project preparation in China might be provided, including use of the US \$100,000 already approved, the Sub-Committee recommended that the Executive Committee defer the above project preparation until the World Bank had provided a comprehensive account of the allocation of the US \$100,000 so far approved and detailed costing and justification for any additional funding requested for the development of the sector plan, as well as indications of the likely consumption in the sector.

India: Preparation of a sector plan for the process agent sector

63. The representative of the Fund Secretariat drew the attention of the Sub-Committee to paragraphs 14 to 18 of document UNEP/OzL.Pro/ExCom/33/22.

64. After considering the potential for duplication of activities undertaken by the World Bank and UNIDO in the process agent sector in India, and following a discussion, the Sub-Committee noted that:

- (a) At the request of the Government of India, the World Bank and UNIDO would cooperate in the preparation of a sector plan, with the aim of being able to submit it to the Executive Committee at its 35<sup>th</sup> Meeting;

- (b) The work would be shared as follows;
  - (i) The World Bank would be responsible for assisting India in the development of the overall sectoral plan, including all sub-sectors;
  - (ii) UNIDO would be responsible for the timely preparation of the pharmaceutical product and materials sub-sector, to be incorporated in the India process agent sector plan;
  - (iii) The share of implementation of the sector plan would follow the above distribution of work (UNIDO – pharmaceutical products and material; World Bank – all the remaining sub-sectors);
- (c) The overall fund request would be US \$200,000, from which the World Bank would receive US \$130,000 and UNIDO would be compensated at a level of US \$70,000;
- (d) The amounts specified in sub-paragraph (c) above would be the total sum for the plan and project preparation;
- (e) UNIDO would attempt to submit to the Executive Committee at its 34<sup>th</sup> Meeting some projects already prepared, which would be part of UNIDO's part of the sector plan.

65. The Sub-Committee recommended that the Executive Committee approve an amount of US \$130,000 plus agency support costs for the World Bank, on the understanding that it represented the total funding for the preparation of the non-pharmaceuticals part of the sector plan, and for project preparation in all sub-sectors, excluding the pharmaceuticals sub-sector.

Yemen: Project preparation in the chiller sector

66. The Chair drew the attention of the Sub-Committee to paragraphs 19 and 20 of document UNEP/OzL.Pro/ExCom/33/22, noting that the RMP for Yemen had not yet been submitted for consideration by the Executive Committee.

67. The Sub-Committee recommended that the Executive Committee defer the above project preparation request until the RMP for Yemen had been approved by the Executive Committee.

Global: Global strategy for CFC phase-out in the MDI sector

68. The Chair drew the attention of the Sub-Committee to paragraphs 21 to 25 of document UNEP/OzL.Pro/ExCom/33/22.

69. After considering the need for a global MDI study in the context of Decision XII/2 of the Meeting of the Parties, and the possible scope of such a study, the Sub-Committee recommended that the Executive Committee not approve the above request.

**(d) 2001 work programme amendments of UNEP**

70. The Chair drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/23 containing the 2001 work programme amendments of UNEP.

71. The Sub-Committee recommended that the Executive Committee approve UNEP's 2001 work programme amendments, as contained in document UNEP/OzL.Pro/ExCom/33/23, with the amendments below, at the level of funding indicated in Annex I to the present report.

Benin: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/23)

Burkina Faso: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/23)

Mauritania: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/23)

Niger: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/23)

Viet Nam: Renewal of institutional strengthening (UNEP/OzL.Pro/ExCom/33/23)

72. The Sub-Committee recommended that the Executive Committee approve the above projects at the level of funding indicated in Annex I to the present report, and express to the Governments concerned its observations contained in Annex II to the present report.

Global: Preparation of a booklet on data reporting for methyl bromide

73. The Chair drew the attention of the Sub-Committee to paragraphs 12 to 14 of document UNEP/OzL.Pro/ExCom/33/23.

74. After considering the need for additional material or data reporting on methyl bromide consumption in the light of the existing handbooks prepared by UNEP and the Ozone Secretariat and UNEP's advice on remaining data reporting problems, and following a discussion, the Sub-Committee recommended that the Executive Committee approve the above request at the level of funding indicated in Annex I to the present report, on the understanding that any attempt to differentiate quarantine and pre-shipment uses from non-quarantine and non pre-shipment uses should be based on the existing work of the Technology and Economic Assessment Panel and decisions already taken by the Parties.

**AGENDA ITEM 8: INVESTMENT PROJECTS**

**(a) Projects recommended for blanket approval**

75. The Chair drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/SCPR/22/2.

76. The Sub-Committee recommended that the Executive Committee approve the two projects submitted for blanket approval, at the level of funding given in Annex I to the present report.

**(b) Projects for individual consideration**

China: 2001 Annual programme - CFC production sector (World Bank)  
(UNEP/OzL.Pro/ExCom/33/24/China)

77. The Chair drew attention to document UNEP/OzL.Pro/ExCom/33/24/China, noting that it contained reasonably adequate data on the five total closures in the 2000 annual work programme. The reduction from those closures, based on the 1999 CFC production, was 2,270 ODP tonnes, which was approximately 50 per cent of the year 2000 reduction target. He also pointed out that the World Bank had not submitted the verification report for the 2000 annual programme.

78. Following a discussion, the Sub-Committee recommended that the Executive Committee:

- (a) Approve the release of 50 per cent of the requested total of US \$13 million (and approve the associated support costs for the World Bank) corresponding to the verified reduction from the five total closures;
- (b) Authorize the Secretariat to approve the transfer, intersessionally, of the balance of the funds requested, after receiving from the World Bank information which is fully responsive to the following:
  - (i) the verification report encompassing the implementation of the full 2000 work programme of the China CFC production phase-out project in compliance with the guidelines approved at the 32<sup>nd</sup> Meeting;
  - (ii) information on the operation and management of the quota system in China;
- (c) To note that the World Bank would further streamline the implementation procedure to better coordinate the annual work programme and the timing of the verification exercise.

China: Replacement of CFC-11 foaming agent with cyclopentane and CFC-12 refrigerant with HFC-134a in manufacture of domestic refrigerators at Shangling Electric Appliance (Group) Co. Ltd. (World Bank) (UNEP/OzL.Pro/ExCom/33/24/China)

79. The representative of the Fund Secretariat introduced the item and drew attention to paragraphs 1 to 9 of document UNEP/OzL.Pro/ExCom/33/24/China.

80. Following a discussion, the Sub-Committee recommended that the Executive Committee defer the consideration of the above project, pending consultation between the World Bank and the enterprise concerned.

China: Report and request for second payment on the implementation of the 2000-2001 annual programme under the China solvent sector plan (UNDP) (UNEP/OzL.Pro/ExCom/33/24/China)

81. The representative of the Fund Secretariat introduced the item, drawing the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/24/China, and noting that an additional enterprise, with an annual consumption of 86 metric tonnes, had been identified for inclusion in the project. That would enable the phase-out target for TCA for 2001 stipulated in the agreement to be met.

82. After considering the proposal of China to amend the 2000-2001 programme by re-allocating US \$2 million to production of alternative solvents including n-propyl bromide, and following a discussion, the Sub-Committee recommended that the Executive Committee approve the release of funds for the annual work programme at the level indicated in Annex I to the present report, in accordance with China's agreement with the Executive Committee on the solvent sector, on the understanding that:

- (a) N-propyl bromide produced by China would not be made available for export;
- (b) An annual production quota would be imposed on n-propyl bromide to meet the requirement for solvent use only;
- (c) China would control the sale of n-propyl bromide only to enterprises involved in the conversion projects under the China Solvent Sector Plan;
- (d) The Import and Export Office of China would monitor and ensure that no n-propyl bromide was exported by China;
- (e) The implementing agency of the China Solvent Sector Plan, UNDP, would include in its annual audit plan verification that no n-propyl bromide was exported;
- (f) No further financial assistance would be sought from the Multilateral Fund for the final conversion to zero ODP alternatives.

India: CFC production sector gradual phase-out programme: 2001 annual plan

83. The Chair, introducing the item, drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/24/India, and to the Secretariat's recommendation contained therein.

84. Following a discussion, the Sub-Committee recommended that the Executive Committee:

- (a) Approve the 2001 annual work programme of the Indian CFC gradual phase-out project at the level of funding indicated in Annex I to the present report, on the understanding that the World Bank would;
  - (i) provide in the 2001 verification report data on the aggregate sales of CFCs and progress on the implementation of ODS Regulations enacted in July 2000;
  - (ii) include in the 2001 verification report a discussion of the adequacy of the methodology used in light of the specific steps included in the approved guidelines;
  - (iii) provide in the 2001 verification report separate data on production, CTC and AHF consumption ratio and quantity for CFC-11 and CFC-12;
- (b) Invite the World Bank to report on measures being taken to monitor smuggling of ODS;
- (c) Note the statement by the World Bank that UNEP had been subcontracted for the implementation of the technical assistance component of the work programme as well as its financial administration, and was accountable to the World Bank in that regard.

Mexico: Foam sector ODS phase-out plan (UNDP)  
(UNEP/OzL.Pro/ExCom/33/24/Mexico)

85. The representative of the Fund Secretariat, introducing the item, drew the attention of the Sub-Committee to document UNEP/OzL.Pro/ExCom/33/24/Mexico, noting that the recommendations before the Sub-Committee had the purpose of expediting the phase-out in the foam sector while ensuring that only eligible enterprises and production activities were funded. The Secretariat and UNDP had discussed and agreed that 145 ODP tonnes would be phased out in the initial phase of the project over 18 months. Recalling decision 32/54 that the phase-out from the project should result in a permanent reduction in Mexico's aggregate consumption of CFCs, he said that the Secretariat had been informed that Mexico was unable to commit to a permanent reduction of the phase-out from the first tranche of the project against its current reported consumption for 1999, as its CFC consumption for the year 2000 was expected to be 700 to 1,280 tonnes greater than the consumption reported for 1999 of 2,838 tonnes.

86. Following a discussion, the Sub-Committee recommended that the Executive Committee:

- (a) Reaffirm its commitment to assist Mexico to achieve permanent reductions in the national aggregate consumption of CFCs;
- (b) Defer consideration of the project;

- (c) Maintain the project in UNDP's 2000 business plan;
- (d) Reiterate its request, contained in decision 32/54 for concrete assurances that the project would yield a sustainable, permanent reduction in the national aggregate consumption of CFCs.

## **AGENDA ITEM 9: POLICY PAPERS**

### **(a) Prerequisites for terminal phase-out in the refrigeration sector**

87. The Chair introduced the item and drew attention to document UNEP/OzL.Pro/ExCom/33/25, which had been prepared pursuant to decision 29/26.

88. Following a discussion, and noting that adoption of the prerequisites and guidelines was premature, the Sub-Committee recommended that the Executive Committee:

- (a) Invite members to provide comments in writing to the Secretariat on the draft prerequisites and guidelines, as contained in document UNEP/OzL.Pro/ExCom/33/25, for compilation and presentation to the Executive Committee at a future meeting;
- (b) Use the current draft prerequisites and guidelines, as contained in Annex III to the present report, in a flexible manner, on a case-by-case basis, for consideration of terminal phase-out proposals related to pending requests to be submitted to future meetings of the Executive Committee.

### **(b) The use of the 13 per cent allowance for support costs**

89. The representative of UNEP informed the Sub-Committee that it had commenced the preparation of the paper requested by decision 32/31, and that it was expected that the paper would be completed in time for submission to the 34<sup>th</sup> Meeting of the Executive Committee.

90. Following a discussion, the Sub-Committee recommended that the Executive Committee request UNEP to finalize the paper, taking into account the need to assess fully the need for transparency in the use of support costs, and submit it to the 34<sup>th</sup> Meeting of the Executive Committee.

### **(c) Strategic framework for national, subregional and regional customs training**

91. The representative of UNEP drew attention to document UNEP/OzL.Pro/ExCom/33/27, and noted that the Executive Committee, at its 32<sup>nd</sup> Meeting, requested UNEP, in consultation with the Fund Secretariat and the implementing agencies, to prepare a report to examine the strategic framework for requests for funding of activities associated with national, subregional and regional customs training and harmonization, as well as the implication of the commitment of the regional organizations concerned in establishing regulatory mechanisms.

92. Following a discussion, the Sub-Committee recommended that the Executive Committee decide that:

- (a) National customs training for each country should continue to be funded. However UNEP should look for opportunities to implement regional and subregional customs training as a cost-effective substitute for national customs training, wherever appropriate, and should look for opportunities to make use of existing regional customs training facilities;
- (b) In order to reach the large number of customs officers, in the countries concerned in a cost-effective manner, national customs training should be through the “train the trainers” approach and be followed by training of customs officers by trainers;
- (c) For demonstration purposes, additional subregional or regional training programmes might be considered for funding where regional trading blocks or trading agreements containing relevant regulatory mechanisms are in place, and after the results of already approved regional and subregional training programmes have been presented to the Executive Committee for review;
- (d) Regional and subregional customs training activities and the regional ozone officers networks should be used to conduct outreach to representatives of regional trading blocks and customs associations with a view to encouraging the formation of informal networks for information dissemination and data management.

**(d) Strategy plan for ODS phase-out from production in the extruded polyethylene and polystyrene foam sub-sector in China**

93. The representative of UNIDO introduced document UNEP/OzL.Pro/ExCom/33/28, containing the revised strategy submitted by UNIDO to the 33<sup>rd</sup> Meeting in accordance with the requirements of decision 28/46.

94. Following a discussion, the Sub-Committee recommended that the Executive Committee take note of the strategy plan for ODS phase-out from production in the extruded polyethylene and polystyrene foam sub-sectors of China, with the understanding that:

- (a) That did not denote approval of the projects and associated costs identified in the strategy plan; and
- (b) The identified projects in the strategy may be submitted to the Executive Committee for consideration, consistent with the rules and policies of the Multilateral Fund extant at the time.

**(e) Draft guidelines for preparation of country programme updates**

95. The Chair drew attention to document UNEP/OzL.Pro/ExCom/33/29. He noted that, pursuant to decision 32/68, the Secretariat had prepared revised Draft Guidelines for Preparation of Country Programme Updates, taking into account the comments provided by members of the Executive Committee during their deliberations at the 32<sup>nd</sup> Meeting as well as additional comments submitted by the Government of Japan. The Secretariat had also incorporated relevant comments from other members, as appropriate, but had been unable to incorporate the most recent submissions.

96. Following a discussion, the Sub-Committee recommended that, subject to additional comments from delegations, the Executive Committee might establish an informal subgroup at its current meeting, with a mandate to discuss the guidelines for preparation of country programme updates, in order to finalize and adopt a revised version at the current meeting.

**AGENDA ITEM 10: OTHER MATTERS**

**Employment of Executive Committee members by implementing agencies**

97. Following a proposal made by one representative, the Sub-Committee recommended that the Executive Committee decide that, where a member of an Executive Committee delegation was employed by one of the implementing agencies to perform ozone layer-related work, that delegation should refrain from speaking on projects related to the work for which the delegate had been hired.

**AGENDA ITEM 11: ADOPTION OF THE REPORT**

98. The Sub-Committee adopted the present report on Tuesday, 27 March 2001.

**AGENDA ITEM 12: CLOSURE OF THE MEETING**

99. The meeting rose at 4 p.m. on Tuesday, 27 March 2001.

**Annex I**

## **Annex II**

### **Views expressed by the Executive Committee on renewals of institutional strengthening projects submitted to the 33<sup>rd</sup> Meeting**

#### **Benin**

1. The Executive Committee has reviewed the information presented with the renewal of the institutional strengthening project for Benin and notes with appreciation the fact that the 1999 CFC consumption reported by Benin to the Ozone Secretariat is lower than its baseline consumption and, therefore, it appears that Benin will be able to comply with the CFC consumption freeze. The Executive Committee also notes that Benin has taken some significant steps to phase out its consumption of ODS in the period covered by the second phase of their institutional strengthening project. Specifically, in its submission Benin reports that it has taken several initiatives, including the preparation and approval of the RMP, the training of 250 refrigeration technicians and the preparation of specific ODS control measures including a licensing system and an import ban, which are currently in the process of approval by the relevant authorities. These and other activities are encouraging, and the Executive Committee appreciates the efforts of Benin to reduce the consumption of CFCs. The Executive Committee expresses the expectation that, in the next two years, Benin will put in place a system to control imports of controlled substances and ban the import of used CFC-based refrigeration equipment and continue implementation of phase-out activities contained in its RMP.

#### **Burkina Faso**

2. The Executive Committee has reviewed the information presented with the renewal of the institutional strengthening project for Burkina Faso. The Executive Committee takes note with appreciation of the fact that the 1999 CFC consumption reported to the Ozone Secretariat is lower than its 1995-1997 CFC compliance baseline, and that Burkina Faso appears to be able to comply with the CFC consumption freeze. In its submission Burkina Faso reported on a number of important initiatives it had undertaken during the third phase of its institutional strengthening project, including the establishment of a licensing system to control ODS imports, the implementation of training programmes for refrigeration servicing technicians, and the recovery and recycling of refrigerants and end-user projects. The Committee also notes the raising of awareness in government, stakeholders and the public, through various activities including hosting the 32<sup>nd</sup> Meeting of the Executive Committee and the XIIth Meeting of the Parties. These and the other activities reported are encouraging, and the Executive Committee appreciates the efforts of Burkina Faso to reduce its consumption of CFCs. It is noted that over the next two years, Burkina Faso intends to focus on the enforcement of a new legislation, a training programme for customs officers, the establishment of regulations to prevent future consumption of methyl bromide, and the completion and monitoring of training, recovery and recycling and end-user sector projects, planned for implementation during this period. The Executive Committee expresses the expectation that, in the next two years, Burkina Faso will continue with its progress in ODS-related issues, and will sustain and build upon its current levels of reductions in the consumption of CFCs.

### **Mauritania**

3. The Executive Committee has reviewed the information presented with the renewal of the institutional strengthening project for Mauritania. The Executive Committee takes note with appreciation of the fact that 1999 CFC consumption reported to the Ozone Secretariat is lower than its 1995-1997 CFC compliance baseline, and that Mauritania appears to be able to comply with the CFC consumption freeze. In its submission Mauritania reported on initiatives it has undertaken during the first phase of its institutional strengthening project, including the drafting of legislation, implementation of training programmes for customs officers and for refrigeration technicians, the retrofit of refrigeration equipment in the fishery sector and implementation of public awareness activities. These and other activities reported are encouraging, and the Executive Committee appreciates the strong efforts by Mauritania to reduce its consumption of CFCs. However, the Executive Committee expresses concern that the Ozone Office was not operational for two years, that a National Committee on Ozone has not yet been established and that the system to collect ODS data is not reliable. The Committee expresses its expectation that, in the next two years, the Ozone Unit will ensure continuity in the implementation of the activities to phase out CFCs, will establish a reliable system to collect ODS data and will have fully implemented a system to license and restrict imports of all CFCs to the levels needed to ensure compliance with the Montreal Protocol.

### **Niger**

4. The Executive Committee has reviewed the information presented with the renewal of the institutional strengthening project for Niger. The Executive Committee expresses concern that the 1999 CFC consumption reported by Niger to the Ozone Secretariat is almost twice the baseline consumption and that, as a consequence, Niger may have difficulties in complying with the Montreal Protocol control measures. Despite this concern, the Executive Committee notes that Niger has taken some steps to address this issue. Specifically, Niger has commenced the implementation of training programmes for customs officers and refrigeration servicing technicians, and the recovery and recycling project contained in the RMP. The Executive Committee noted that Niger drafted ODS legislation which is currently under consideration for approval by relevant authorities; and has undertaken ODS surveys in the halon and refrigeration end-user sectors. The Committee expresses its expectation that in the following two years, Niger will have fully implemented a system to license and restrict imports of all CFCs to the levels needed to ensure compliance with the Montreal Protocol control measures.

### **Syrian Arab Republic**

5. The Executive Committee has reviewed the information presented with the institutional strengthening renewal request for Syrian Arab Republic. The Committee takes note with appreciation of the fact that 1999 CFC consumption reported to the Ozone Secretariat is below the 1995-1997 compliance baseline. In its submission, Syrian Arab Republic reported on a

number of important initiatives it has taken during its first phase of institutional strengthening projects, such as: undertaking activities to achieve the 1999 freeze in consumption, and developing and implementing over 40 investment and demonstration projects. As of today, four projects in the refrigeration sector, four in the foam sector and eight in the aerosol sector have been completed; a national multi-sectoral ozone panel has been established since 1999, which enacted a law prohibiting the import of products containing ODS, suspension of industrial licenses for activities using ODS (as of January 1995), a ministerial decree requesting all institutions to take into consideration the Montreal Protocol and its amendments when formulating policies, monitoring of all ODS entering Syrian Arab Republic through custom department and import licensing. These activities are very encouraging and the Committee appreciates the efforts of Syrian Arab Republic. Over the next two years, Syrian Arab Republic has set a target for reducing by 90 per cent the ODS consumption (CFCs, methyl bromide and halons), with the aim of a complete phase out by 2005. The Executive Committee expresses the expectation that in the coming years Syrian Arab Republic will continue with the progress achieved, and sustain and build upon its current level of ODS reduction to achieve its goal of complying with the Protocol's ODS phase-out schedules.

### **Viet Nam**

6. The Executive Committee has reviewed the institutional strengthening renewal request submitted by the Government of Viet Nam and takes note with appreciation of the fact that 1999 CFC consumption reported to the Ozone Secretariat is lower than its 1995-1997 CFC compliance baseline. The Executive Committee recognises that the Government of Viet Nam has decided to establish the necessary legislation to support the national ODS phase-out strategy and action plan, in particular, the decree to control ODS consumption, regulations on a green labelling scheme, and a license quota for the import of halons. Viet Nam has also developed a mechanism to facilitate the collaboration with major stakeholders in the refrigeration, halons, foam and methyl bromide sectors who are still using ODSs. The Executive Committee anticipates that, in the next two years, Viet Nam will continue its progress in addressing ODS related issues and will achieve the forthcoming reductions in ODS consumption established by the Montreal Protocol.

### Annex III

## DRAFT PREREQUISITES AND GUIDELINES FOR TERMINAL PHASE-OUT IN THE REFRIGERATION SECTOR

### Prerequisites for preparation of terminal phase out projects

7. The prerequisites will be determined from consideration of the circumstances of Article-5 countries in relation to achievement of Montreal Protocol control measures, the policies and practices for effective use of Fund resources and the necessary requirements to ensure that a proposal is soundly based, implementable and sustainable. These issues have been well summarised in the principles contained in recent decisions concerning this sector and could be expressed in the form of prerequisites for project preparation as follows, with the reasons indicated immediately below:

- (a) the country has received enough assistance from the Fund to convert all appliance manufacturers, other than SMEs;
  - (i) or there may not be priority for funding since simpler and potentially more cost-effective interventions are available to meet reduction targets. This also suggests that a terminal phase-out strategy in the refrigeration sector would normally be embarked upon after most or all industrial conversion projects other than the informal sector had been funded and/or implemented;
  - (ii) additionally, when consumption for manufacturing approaches zero, it becomes more straightforward to obtain reliable indications of the consumption used in the service sector since the activities of small or informal manufacturers are oriented primarily towards installation and servicing;
- (b) that either no other possible alternatives would allow the country to meet its CFC control obligations, or more stringent national targets, or the comparative consumer price of CFCs, relative to substitute refrigerants, had been high for at least 9 months and is predicted to continue to increase;
  - (i) where significant CFC-based manufacturing activity remains, there may not be priority for funding a terminal phase-out strategy since consumption can be reduced by continuing to implement industrial conversion projects;
  - (ii) by the time CFC prices have become higher than prices of substitutes, on current indications it is likely that conversion of most CFC-based manufacturing capacity, other than very small enterprises and the informal sector, will have been completed in most higher consuming countries;

- (c) there should be indications that the legislative and industrial support measures necessary for successful implementation of terminal phase-out will be operational and effective in the timeframe envisaged for project preparation and implementation.
  - (i) extended periods are sometimes needed to develop and operationalise institutional support measures. The timing of terminal phase-out projects and their preparation should be consistent with the availability of these measures;
- (d) that the modality for a preparation of a terminal phase-out project will be the development of a long term strategy for the refrigeration sector undertaken in the context of a country programme update (RMP guidelines, decision 31/48C);
  - (i) this means that the country should ensure that it has accurate, current and sufficiently detailed knowledge about the structure and consumption of its refrigeration sector.

#### Guidelines for terminal phase-out projects

8. When the information obtained by a country and the implementing agency as discussed above indicates that the country is in a position to request assistance from the Fund for implementation of a terminal refrigeration phase-out project, proposals should be consistent with a set of guidelines which might be along the lines of those indicated below:

- (a) Proposals should be presented in the form of a long-term strategy for the refrigeration sector under decision 31/48C (guidelines for RMPs for higher consuming countries), incorporating the principles outlined in the initial guidelines for RMPs (decision 23/15);
  - (i) in other words, a terminal phase-out proposal for the refrigeration sector is the same as a long term strategy for the refrigeration sector in a larger consuming country, in the same way that an RMP for a low-volume-consuming country is a terminal phase-out project for that country
- (b) Proposals should be consistent with all relevant rules and policies of the Multilateral Fund as decided by the Executive Committee;
- (c) Proposals should contain *inter-alia* the following elements:
  - (i) comprehensive data on the profile of all remaining ODS consumption in the sector with breakdown into sub-sectors, supported by results of analysis undertaken either before or during project preparation, as a prerequisite to the proposal;

- (ii) comprehensive data on the profile of the remaining enterprises in the sector, with breakdown into sub-sectors, supported by results of analysis undertaken either before or during project preparation, indicating, *inter-alia*, enterprises whose production capacity was installed after 25 July 1995;
  - (iii) institutional support through government policy directives or legislation and taxation or other fiscal measures; a timed action plan and expected results in terms of ODS phase out; co-ordination and management by ozone offices and financial intermediaries; technology transfer by local industry associations and/or component suppliers and systems houses;
  - (iv) the appropriate choice of technology, innovative methodologies for achieving technology transfer; achievement of economies of scale through geographical grouping or industrial rationalisation; financial arrangements which could provide flexibility in the allocation of approved resources;
  - (v) the commitment of the Government to phase out ODS according to the proposed action plan;
  - (vi) a financing plan related to the major milestones with provisions to release funds against the performance achieved.
- (d) The development of elements of the proposal and the determination of incremental costs related to each activity or sub-sector should be guided by pertinent policies of the Executive Committee, as expressed in decisions previously taken, for instance:
- (i) the elements related to the commercial refrigeration end-user sector will be developed in accordance with policies previously contained in decision 28/44;
  - (ii) the elements related to the new sub-sector for the assembly, installation and servicing of refrigeration equipment will be developed in accordance with decision 31/45;
  - (iii) the elements related to recovery and recycling will be developed in accordance with decisions 22/22,-Recycling projects in CFC-producing countries and decision 22/23-General recovery and recycling projects.