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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Fifteenth Meeting
Montreal, 13-16 December 1994

**REPORT OF THE FIFTEENTH MEETING
OF THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL**

I. INTRODUCTION

1. The Fifteenth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol was held at Montreal from 13 to 16 December 1994. The Meeting was convened in pursuance of decision IV/18 adopted at the Fourth Meeting of the Parties to the Montreal Protocol, held at Copenhagen from 23 to 25 November 1992 (UNEP/OzL.Pro/4/15), and decision VI/7 adopted at the Sixth Meeting of the Parties, held at Nairobi on 6 and 7 October 1994 (UNEP/OzL.Pro/6/7).

II. ORGANIZATIONAL MATTERS

A. Opening of the Meeting

2. The Meeting was opened by Mr. John Whitelaw (Australia), Chairman of the Executive Committee, who welcomed participants, extending a special welcome to the new members of the Executive Committee. He stressed that although members of the Committee might have different views, they shared a common purpose. Members bore major responsibility to enable the transfer of technology, to manage responsibly the funds entrusted to them and to see that the necessary information and guidance were available to assist countries in implementing their programmes.

3. Significant progress had been achieved and the efforts made by the international community since 1987 were bearing fruit. Nevertheless, the ozone layer continued to deteriorate and much still remained to be done. Countries, implementing agencies and the Secretariat should all review their procedures to see how they could be improved and how the greatest possible benefit could be derived from the funds available.

B. Attendance

4. The Meeting was attended by representatives of the following countries, members of the Executive Committee in accordance with decision VI/7 adopted by the Parties at their Sixth Meeting:

- (a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Australia, Austria, Denmark, Japan, Poland, United Kingdom and United States of America.
- (b) Parties operating under paragraph 1 of Article 5 of the Protocol: Algeria, Argentina, Cameroon, China, Colombia, Iran (Islamic Republic of) and Thailand.

5. In accordance with the decisions taken by the Executive Committee at its Second and Eighth Meetings, representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) and the World Bank attended as observers.

6. A representative of the President of the Bureau of the Meeting of the Parties to the Montreal Protocol and the President of the Implementation Committee also attended.

7. Representatives of the Commonwealth Science Council, Alliance For Responsible Atmospheric Policy, Environmental Defense Fund, Friends of the Earth, Greenpeace, Harvard University, State University of New York at Albany, as well as consultants for the Report on the Review under Paragraph 8 of Article 5 of the Montreal Protocol and for the Study of the Financial Mechanism of the Montreal Protocol, also attended the Meeting as observers.

C. Adoption of the Agenda

8. The Meeting adopted the following agenda:

- 1. Opening of the meeting.
- 2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work.

3. Report by the Fund Secretariat:
 - (a) Secretariat activities;
 - (b) Overview of issues identified during project review.
4. Financial matters:
 - (a) Report from the Treasurer on contributions and Fund disbursements;
 - (b) Revised 1994 and 1995 budgets of the Fund Secretariat.
5. Requests for bilateral contributions.
6. Implementing agencies:
 - (a) Progress reports:
 - Consolidated progress report;
 - UNDP progress report;
 - UNEP progress report;
 - UNIDO progress report;
 - World Bank progress report.
 - (b) Work programmes:

Amendments for 1994 and indicative 1995 work programmes:

 - UNDP;
 - UNEP;
 - UNIDO;
 - World Bank.
7. Country programmes:
 - (a) Barbados;
 - (b) Mozambique;
 - (c) Niger;
 - (d) Swaziland;
 - (e) China (amendment).
8. Project proposals:
 - (a) Algeria;
 - (b) Argentina;
 - (c) Brazil;
 - (d) China;
 - (e) Colombia;
 - (f) Egypt;
 - (g) Guatemala;

- (h) Indonesia;
- (i) Jordan;
- (j) Malaysia;
- (k) Mauritius;
- (l) Mexico;
- (m) Peru;
- (n) Syrian Arab Republic;
- (o) Thailand;
- (p) Turkey;
- (q) Uruguay;
- (r) Viet Nam.

9. Draft report on the review under paragraph 8 of Article 5 of the Montreal Protocol.
10. Should the Multilateral Fund finance the conversion efforts of enterprises in Article 5 countries which export to non-Article 5 countries? (draft).
11. Draft terms of reference for an expert group on the production of substitutes for ozone-depleting substances.
12. Meeting of the needs of Article 5 Parties for controlled substances during the grace and phase-out periods - an update.
13. Options for incremental operational cost durations in the domestic refrigeration sector (draft).
14. Other matters.
15. Adoption of the report.
16. Date of the Sixteenth Meeting of the Executive Committee.
17. Closure of the Meeting.

9. The Meeting decided that clarification of the guidelines governing participation by Executive Committee members in meetings of sub-committees should be discussed under agenda item 14.

D. Organization of work

10. The Meeting agreed to postpone discussion of agenda item 5 until it had heard the report of the Sub-Committee on Financial Matters. Consequently, it would commence by discussing agenda items 2, 3, 4, 6(a) and parts of 7.

III. SUBSTANTIVE MATTERS

Agenda item 3: Report by the Fund Secretariat

(a) Secretariat activities

11. The Chief Officer reported on the activities of the Secretariat since the Fourteenth Meeting and introduced documents UNEP/OzL.Pro/ExCom/15/2 and Add.1.

12. The Executive Committee took note with appreciation of the report on Secretariat activities.

(b) Overview of issues identified during project review

13. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/15/3/Rev.1 on issues identified during project review. He stated that the issues identified will be dealt with according to the relevant agenda items.

Agenda item 4: Financial matters

(a) Contributions and Fund disbursements

14. The Treasurer introduced documents UNEP/OzL.Pro/ExCom/15/4/Rev.1 on contributions and Fund disbursements and UNEP/OzL.Pro/ExCom/15/Inf.3 containing the summary of responses received to the follow-up letters from the Treasurer, together with tables showing outstanding contributions.

15. In response to concerns expressed by one representative, the Treasurer explained that the implementing agencies had different practices regarding the reporting of interest accrued on money from the Fund. Interest officially reported to the Fund's Treasurer could be taken into account when approving new projects.

16. One representative queried how a country could be deemed to be in arrears if it had not in fact ratified the London Amendment.

17. Several representatives informed the Committee that payments against arrears indicated in the Treasurer's report would be made in the near future.

18. One representative pointed out that promissory notes represented an ongoing commitment to the Fund and urged countries to utilize that method of payment.

19. The Executive Committee took note with appreciation of the report on contributions and Fund disbursements and the information note.

20. The updated report on contributions and disbursements reflecting funding approved by the Executive Committee at its Fifteenth Meeting is attached as Annex I.

21. The Chairman said that if all the projects recommended by the Sub-Committee on Project Review were approved by the Executive Committee, the likely shortfall would be around US \$9.4 million. He proposed that the Sub-Committee on Financial Matters, composed of Australia, Austria, Colombia and Thailand, should address that issue, together with other matters arising out of the discussion.

22. The Chairman of the Sub-Committee on Financial Matters subsequently informed the Committee that the Sub-Committee had held lengthy discussions on ways and means to address the shortfall but had failed to reach agreement. There were basically two options: (i) the Committee could approve projects corresponding to the funds available and clear the remaining projects for intersessional approval when funds became available. That procedure implied, however, that projects which could be deferred would have to be identified and the implementing agencies had been asked to provide disbursement schedules in order to facilitate the identification of projects which would be cleared for intersessional approval; or (ii) the Committee would not approve any projects at all since priorities had to be fixed by governments.

23. The Sub-Committee had also considered in a more general way the question of sequential funding and recommended that, even though it could not resolve the problem of the present shortfall, that possibility should be given further study and a paper should be prepared by the Secretariat.

24. Finally, the Sub-Committee had been given to understand that in the future the implementing agencies might be prepared to accept a combination of cash and promissory notes. It had discussed the matter, but had concluded that such a procedure would not resolve the problem. Nevertheless, it recommended that further consideration should be given to this procedure.

25. One representative considered that projects corresponding to the funds available should be approved and that other projects should be deferred on a voluntary basis or according to criteria such as whether or not the country in question had already received Fund resources.

26. The representative of China expressed the hope that funds would become available, but expressed his country's willingness to postpone funding of some projects, as set out in paragraphs 88 and 89 below, if that would be of assistance.

27. Another representative said that the shortfall could perhaps be overcome by paying closer attention to cost effectiveness criteria, by releasing funds that had been committed for projects that had not finally been implemented and by scaling down the 15 per cent contingency fee.

28. The Executive Committee took note of the oral report by the Chairman of the Sub-Committee on Financial Matters and requested the Sub-Committee to study further the issue

of the shortfall and to make recommendations to the Executive Committee, taking into account the remarks made.

29. The Chairman of the Sub-Committee on Financial Matters reported to the Committee that the amount of funding available to the Multilateral Fund for the year 1995 was expected to be at the level of US \$125-130 million. He further reported that, after discussion, the Sub-Committee recommended that the indicative budget estimates provided by the implementing agencies be adapted to the funds available. Around US \$12-15 million were expected to be available for projects at the Sixteenth Meeting and the implementing agencies should take that into account when preparing projects. The Sub-Committee further recommended that, with the exception of those projects already deferred for intersessional approval at the current session, there should be no further intersessional approval until the issue of the shortfall had been resolved. The Sub-Committee had also expressed the view that an intersessional joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review should be convened before the Sixteenth Meeting of the Executive Committee. The Sub-Committee on Project Review is composed of Algeria, Argentina, Australia, Islamic Republic of Iran, the United Kingdom and the United States of America.

30. In response to the concerns expressed by one implementing agency regarding the submission of new projects, the Chairman of the Sub-Committee said that it would be unrealistic to submit a large number of new projects until the financial issues had been resolved.

31. One representative said that the conclusion to be drawn from the report of the Sub-Committee on Financial Matters was that there would be no resources for investment projects at the Sixteenth Meeting of the Executive Committee. That meant that the Committee would have to focus on analysing the availability of funds and the short-term, medium-term and long-term utilization of resources and alternatives in order to resolve the deficit, bearing in mind that making cuts in projects was no way to resolve the problem.

32. Several representatives expressed views concerning the criteria to be taken into account when determining priorities for projects. One representative observed that the joint meeting should take into account resource requirements for phase out in the small-scale and informal sector where phase out was costly. Resource requirements that did not lead to direct ODS phase out should also be kept in mind. An observer pointed out that any acceleration in the phase-out schedule had financial implications and that should be brought to the attention of the Parties.

33. The Executive Committee decided that a joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review should be convened before the Sixteenth Meeting of the Executive Committee and that the chairmen of the two Sub-Committees should decide upon the date and agenda. The Sub-Committees would report back to the Sixteenth Meeting of the Executive Committee.

(b) Revised 1994 and 1995 budgets of the Fund Secretariat

34. The Treasurer introduced document UNEP/OzL.Pro/ExCom/15/5, containing the revised 1994 and 1995 budgets of the Fund Secretariat, which took into account the Executive Committee's decisions to carry out a review under paragraph 8 of Article 5 of the Montreal Protocol in 1994 and to anticipate holding four meetings of the Committee in 1995.

35. The Executive Committee approved the revised 1994 and 1995 budgets of the Fund Secretariat (Annex II).

Agenda item 5: Requests for bilateral contributions

36. The Executive Committee approved the request of the Government of Canada, included in documents UNEP/OzL.Pro/ExCom/15/6 and Corr.1, to credit against its 1994 contribution to the Fund US \$468,170 for the following activities:

<u>Country</u>	<u>Project</u>	<u>(US \$)</u>
Brazil	Montreal Protocol Technology Transfer Workshop on ODS (Phase II)	58,390
Chile	Bromosorb technology in commodity fumigation	300,000
India	Initiative to help phase out the release of ODS by Asian SME's	<u>109,780</u>
Total		468,170 ¹

37. The Executive Committee approved the request of the Government of the United States of America included in document UNEP/OzL.Pro/ExCom/15/6 to credit against its 1994 contribution to the Fund US \$347,000 for the following activities:

<u>Country</u>	<u>Project</u>	<u>(US \$)</u>
Colombia	Project preparation assistance	120,000
Malaysia	Project preparation in the halon sector	45,000
Mexico	Remainder of institutional strengthening grant	65,000
Uruguay	Training in the halon sector	10,000
Venezuela	Demonstration project in the refrigeration sector	67,000
	Training in all ODS sectors in Venezuelan Military	<u>40,000</u>
Total		347,000

¹ This total should be adjusted by deducting US \$33,600, the balance remaining from 1993 as per UNEP/OzL.Pro/ExCom/13/7.

Agenda item 6: Implementing agencies(a) Progress reports:- Consolidated progress report

38. The Chief Officer introduced document UNEP/OzL.Pro/ExCom/15/7, the Consolidated Progress Report. He emphasized that since the establishment of the Fund the Executive Committee had approved over 630 activities in 74 countries operating under Article 5. More than US \$195.4 million had been allocated to the four implementing agencies. In addition, US \$7.17 million had been provided by six Parties in the form of bilateral cooperation.

- UNDP progress report

39. The representative of UNDP introduced document UNEP/OzL.Pro/ExCom/15/8. He said that during the period 1991-1993, UNDP had received approval for projects totalling US \$23 million, of which US \$13.46 million had been disbursed, representing 58 per cent of allocations. In 1994, UNDP had received to date an additional US \$32.2 million for approved projects, of which US \$3.85 million had been spent. In total, UNDP had so far disbursed US \$17.3 million under the Multilateral Fund. Foams continued to be the main focus, followed by refrigeration, then country programme preparation, technical training, institutional strengthening and global projects, and finally solvents, halons and aerosols in that order. UNDP had programmes in 31 countries and by 31 October 1994 had completed 68 projects. Between June and October, eleven activities had been completed. Eight investment projects had been completed in total and 427 tonnes of ODS had been phased out. During the period under review, 64 project proposals had been prepared, 60 of which were submitted for approval at the present meeting. UNDP continued to streamline its internal procedures so as to speed up project implementation.

40. Highlighting some recent developments, he said that during the week of 5 - 7 December 1994, a joint meeting had been held in Brazil among UNDP, UNIDO, the World Bank and the Government of Brazil with a view to giving Brazil the benefit of the expertise of all three agencies. It was expected that the meeting would lead to the conclusion of a more formal arrangement among the three agencies in Brazil. In China, activities in the solvents sector were frozen pending settlement of the policy issues, which was expected shortly. In India, it was hoped that an agreement with the Government on use of a financial channel for transmittal of funds could be finalized. He also expressed his appreciation of the efforts made by the Fund Secretariat during the project review process.

41. The Executive Committee took note with appreciation of the Progress Report of UNDP.

- UNEP progress report

42. The representative of UNEP introduced document UNEP/OzL.Pro/ExCom/15/9, which summarized activities from June to October 1994. Four country programmes were being submitted to the meeting for approval and, if approved, the number of country programmes assisted by UNEP and approved by the Executive Committee would amount to 23.

43. Regarding information exchange, the technology catalogue had been a milestone. Two issues of OzonAction had been published during the period under review. There had been a very heavy training schedule and in addition to those mentioned in the report a training course had been completed in Bahrain and another was taking place in the Philippines. Two networking workshops had been held in addition to that mentioned in the report, one for Latin America - South and another for Latin America - Central.

44. Two areas in which there was room for improvement were institutional strengthening and the preparation of training strategies. He assured the Committee that every effort was being made to improve performance in those areas.

45. The Executive Committee took note with appreciation of the Progress Report of UNEP.

- UNIDO progress report

46. The representative of UNIDO introduced document UNEP/OzL.Pro/ExCom/15/10. Priority had been given to implementation during the period under review and UNIDO had concluded a contractual arrangement for the implementation of projects in Argentina, Cameroon and the Syrian Arab Republic and would shortly do the same for six conversion projects in Egypt and Jordan.

47. New projects had been formulated in the refrigeration sector in Algeria, China, Iran (Islamic Republic of), Syrian Arab Republic and Viet Nam.

48. The agreement among UNDP, UNIDO and the World Bank on activities in Brazil constituted a good example of inter-agency cooperation and it was hoped that a similar approach could be agreed upon in Argentina, China, India and Mexico.

49. UNIDO would continue to participate in UNEP missions to low ODS-consuming countries in order to help in the formulation of a strategy in the industrial sector. Together with the United States Environmental Protection Agency, UNIDO was finalizing a manual on strategy for low ODS-consuming countries that hopefully would greatly contribute towards project formulation in those countries. It was hoped that fruitful cooperation with donor countries such as Austria, Canada and France would commence in the near future.

50. The Executive Committee took note with appreciation of the Progress Report of UNIDO.

- World Bank progress report

51. The representative of the World Bank introduced document UNEP/OzL.Pro/ExCom/15/11. The Bank's investment in boosting the capacity of its developing country clients so that they could implement activities themselves was a long-term one and he was happy to report that it was now starting to bear fruit. Since the Fourteenth Meeting of the Executive Committee, disbursements had doubled and now exceeded US \$10 million. As far as ODP equivalent phase-out was concerned, with the closure of the halon facility in China on 20 December 1994 the Bank's activities would result in the phase out of 1,850 tonnes of ODP. A number of other projects had undoubtedly resulted in the phase out of several thousand more tonnes, but the Bank did not report them until it had verified at the factory level that the projects had been completed.

52. The streamlined procedures established were beginning to take effect and projects were being implemented even more rapidly. It had become clear that sector-based phase-out was perhaps the most effective system in larger economies.

53. He concluded by expressing regret that the World Bank had been under attack by Greenpeace. The latter had misrepresented the Bank's activities by stating that it had not paid sufficient attention to not-in-kind alternatives.

54. The Executive Committee took note with appreciation of the Progress Report of the World Bank.

55. Two representatives of implementing agencies expressed regret that there were discrepancies in the treatment of implementing agencies during the project review process.

56. One representative, referring to institutional strengthening projects, emphasized that it was not enough simply to disburse funds. Implementing agencies should report to the Executive Committee on how the projects were proceeding and the results obtained. He drew attention to the importance of involving low-ODS-consuming countries in the Fund because they constituted the majority of Article 5 Parties to the Montreal Protocol. Concerning financial issues, he reminded the Committee that it had been agreed to undertake a review of administrative costs. He also recalled that at the Thirteenth Meeting the implementing agencies had been requested to report to the Committee at its Fourteenth Meeting on the possibility of having new projects approved against uncommitted funds that had been allocated for previously approved projects and that issue should be looked at anew in view of the possibility of having a shortfall. Finally, now that so many projects had been completed, the question of whether or not the 15 per cent contingency fee was needed should be studied.

57. The observer for Greenpeace, responding to the remarks made by the representative of the World Bank, said that the over-riding priority was protection of the ozone layer and Greenpeace reaffirmed the statements it had made regarding the World Bank's activities.

58. A representative, while expressing appreciation of the contributions by implementing agencies to the development of projects for his country, emphasized the need to accelerate the

start-up momentum once projects had been approved by the Executive Committee. He suggested that it would be useful in countries where more than one implementing agency was preparing project proposals to establish a small group that would allow the agencies to coordinate their activities, thus avoiding unwarranted overlap. He also underlined the need for greater coordination among the agencies and the countries concerned, as well as for increased institutional strengthening. His country was preparing a report which would be submitted to the Secretariat in due course presenting an overview of the difficulties it had encountered in the start-up and implementation processes.

59. Two other representatives, while also expressing appreciation to the implementing agencies for their efforts and for their very helpful progress reports, suggested that there was a need to draw up guidelines to harmonize working methods and standards for evaluating project costs, thus ensuring more equal treatment.

60. The President of the Implementation Committee thanked the Executive Committee for inviting him to the meeting and expressed the hope that this would become usual practice. Referring to the progress reports by the implementing agencies, he said that he had been very pleased to hear the emphasis placed on institutional strengthening and training. Since lack of national capacity was often quoted as one of the main problems encountered by Parties which had difficulty in fulfilling their obligations to report data to the Secretariat, he urged the agencies to use institutional strengthening and training to create national infrastructures that would facilitate reliable reporting.

(b) Work programmes

Amendments for 1994 and indicative 1995 work programmes

- UNDP

61. The Executive Committee considered the recommendations of the Sub-Committee on Project Review and approved the following amendments to the 1994 UNDP Work Programme contained in documents UNEP/OzL.Pro/ExCom/15/12 and Corr.1 for a total of US \$1,136,780, including US \$130,780 as support costs for UNDP.

<u>Country</u>	<u>Project</u>	<u>Approved amount</u> <u>(US \$)</u>
China	Project preparation assistance	100,000
Cuba	Implementation of a national programme for recovery and recycling of refrigerant	169,000
Indonesia	Project preparation assistance in solvent, halon and refrigeration sectors	100,000
Malaysia	Project preparation assistance	100,000
Philippines	Project preparation assistance	50,000

<u>Country</u>	<u>Project</u>	<u>Approved amount</u> <u>(US \$)</u>
Thailand	Project preparation assistance in foam, halon and aerosol sectors	100,000
	Safety and technical assistance programme for manufacturers of aerosol products	127,000
Venezuela	Second phase of the CFC-12 recovery and recycling in MAC	220,000
	Preparatory assistance for the domestic and commercial refrigeration manufacturing sector	40,000
Subtotal		1,006,000
13% support costs		130,780
Total		1,136,780

62. The Executive Committee took note of the indicative Work Programme for 1995 of UNDP (UNEP/OzL.Pro/ExCom/15/12). The Committee also noted the concern expressed by the Sub-Committee on Financial Matters that the projected funding requirement for UNDP greatly exceeded the amount included for 1995 in the previously approved three-year plan and budget.

- UNEP

63. The Executive Committee considered the recommendations of the Sub-Committee on Project Review and approved the following amendments to the 1994 UNEP Work Programme contained in document UNEP/OzL.Pro/ExCom/15/13/Rev.1 for a total amount of US \$303,400, including US \$36,400 as support costs for UNEP:

- Country programme preparation for the following six Article 5 Parties:

	<u>Approved amount</u> <u>(US \$)</u>
• Brunei Darussalam	40,000
• Chad	40,000
• Dominican Republic (completion)	10,000
• Gabon (completion)	10,000
• Lesotho	40,000
• Namibia	40,000
Subtotal	180,000
13% support costs	23,400
Total	203,400

- Latin American and Caribbean region

The Executive Committee approved the following project to be implemented by UNEP, noting that the intention was to convene the workshop following the planned meeting of consultants of the implementing agencies, which was scheduled for late March/early April 1995:

	<u>Approved amount</u> <u>US \$</u>
Regional workshop on non-CFC technologies for domestic refrigerator manufacturing industries in the Latin American and the Caribbean region	100,000
Plus 13 per cent project support costs to UNEP	13,000

- Asia and the Pacific region

64. The Executive Committee decided that the regional workshop on aerosol conversion for the SEAP region, to be held by UNEP, should be deferred pending resolution of any elements of duplication with the global aerosol project. It noted UNEP's intention to consult further with the World Bank and the Secretariat to clarify these issues, and to resubmit the project for intersessional approval, for implementation after Phase I of the global aerosol project.

65. The Executive Committee took note of the indicative 1995 Work Programme of UNEP (UNEP/OzL.Pro/ExCom/15/13/Rev.1).

- UNIDO

66. The Executive Committee considered the recommendations of the Sub-Committee on Project Review and approved the following amendments to the 1994 UNIDO Work Programme contained in document UNEP/OzL.Pro/ExCom/15/14 for a total amount of US \$832,923, including US \$95,823 as support costs for UNIDO:

<u>Country</u>	<u>Project</u>	<u>Approved amount (US \$)</u>
Algeria	Preparation of an investment project for the phase out of CFC-11 in the manufacture of sandwich panels at Prosider (Annaba-Algeria)	25,000
	Project formulation of establishment of a National Centre for Recovery and Recycling of CFC-11, CFC-12 and CFC-502	25,000
	Preparation of an investment project for CFC phase out in the production of rigid foam at Batimetal	25,000
Barbados	Preparation of project for retrofitting in all ice-making systems, ice bin compressor systems,	10,000

<u>Country</u>	<u>Project</u>	<u>Approved amount (US \$)</u>
	blast freezers, cold storage and chiller rooms	
Cameroon	Preparation of a project for phasing out CFC-11 in the manufacture of domestic refrigerators, freezers and air-conditioners at Union Camerounaise	25,000
China	Preparation of investment project for phase-out of CFC-11 and CFC-12 at a domestic refrigerator plant at Xiling	25,000
Indonesia	Project formulation for phasing out ODS in small and medium-scale industries	80,000
Iran	Preparation of investment projects for the phase out of CFC-11 and CFC-12 in the domestic refrigeration industry	50,000
Jordan	Preparatory assistance for investment projects in commercial refrigeration, air conditioning, foam and halon sectors	50,000
Macedonia	Country programme preparation	80,000
Mozambique	Preparation of projects in commercial refrigeration	15,000
Romania	Preparation of investment project for phase out of CFC-11 and CFC-12 at a domestic refrigerator plant at Mechanical Enterprise Sadu and Arctic	50,000
Seychelles	Preparation of a project proposal for setting up a National Refrigerant Recovery and Recycling Centre, National Halon Bank and Regional Centre for Refrigeration Technicians and Engineers	15,000
Swaziland	Preparatory assistance for the formulation of a project in a domestic refrigerator plant (Fridgemaster)	25,000
Syria	Preparation of investment projects for phasing out of CFC in manufacturing of refrigerators at Krayem Int.	15,000

<u>Country</u>	<u>Project</u>	<u>Approved amount (US \$)</u>
	Co.	
	Preparation of investment projects for phasing out of CFC-11 from the manufacturing of pre-fabricated sandwich panels at Krayem Cold Stores	15,000
	Preparation of investment projects for phasing out of CFC-11 from the sub-sector of flexible foams manufacturing	20,000
Tanzania	Preparation of investment project in the refrigeration sector at Daikin Air Conditioning Ltd.	10,000
	Preparation of investment project in the aerosol sector at Mansoor Daya Chemical Ltd.	10,000
Turkey	Preparation of investment projects on ODS phase out in the foam sector	50,000
Viet Nam	Preparation of investment project for reduction of refrigerant emissions and establishment of a collection and reclaiming network in the domestic refrigeration service sector	15,000
	Preparation of investment project for reduction of refrigerant emissions and conversion of food processing and other industrial refrigeration and A/C equipment to suitable alternatives	20,000
Zambia	Training and certification programmes for refrigeration technicians and preparation of investment projects for the refrigeration sector	82,100
Subtotal		737,100
13% support costs		95,823
Total		832,923

67. The Executive Committee took note of the indicative Work Programme for 1995 of UNIDO (UNEP/OzL.Pro/ExCom/15/14). The Committee also noted the concern expressed by the Sub-Committee on Financial Matters that the projected funding requirement for UNIDO greatly exceeded the amount included for 1995 in the previously approved three-year plan and budget.

68. The Executive Committee considered the recommendations of the Sub-Committee on Project Review regarding the amendments to the 1994 World Bank Work Programme contained in document UNEP/OzL.Pro/ExCom/15/15 and decided to defer approval of the following two projects until a policy paper on the relationship between contingency, support and institutional strengthening costs had been duly considered by the Executive Committee.

China

Technical assistance to the National Environment Protection Agency (NEPA) and the China Investment Bank (CIB);

Indonesia

ODS phase-out investment project technical audits.

69. The Executive Committee took note of the indicative Work Programme for 1995 of the World Bank (UNEP/OzL.Pro/ExCom/15/11, paragraphs 21 to 31).

Agenda item 7: Country programmes

70. The Chief Officer noted that there were four country programmes before the Committee for examination (Barbados, Mozambique, Niger and Swaziland, presented in documents UNEP/OzL.Pro/ExCom/15/16 to 15/19 respectively), as well as an amendment to the country programme for China in UNEP/OzL.Pro/ExCom/15/20. The Secretariat recommended approval of the four country programmes and the amendment to the China country programme. In accordance with the Executive Committee decision on implementation of country programmes, the Governments concerned were requested to provide information annually to the Executive Committee on the progress of implementation of the country programmes. Using the approved format, the initial report, covering the period 16 December 1994 to 31 December 1995, should be submitted to the Fund Secretariat not later than 31 March 1996. The Governments concerned were also requested, with the assistance of an implementing agency, to review and, where necessary, redevelop the project proposals contained in the country programme in accordance with the relevant Executive Committee guidelines.

71. The representative of UNEP introduced the country programmes of Barbados (UNEP/OzL.Pro/ExCom/15/16), Mozambique (UNEP/OzL.Pro/ExCom/15/17), Niger (UNEP/OzL.Pro/ExCom/15/18) and Swaziland (UNEP/OzL.Pro/ExCom/15/19).

72. The Executive Committee approved the country programme of Barbados. However, approval did not denote approval of the projects listed therein or their funding levels. It also approved the amount of US \$136,000 and US \$17,680 support costs for institutional strengthening, to be included as an amendment to UNEP's 1994 Work Programme, subject to

the Government of Barbados reporting to the Ozone Secretariat its consumption data in accordance with Article 7 of the Montreal Protocol.

73. The Executive Committee approved the country programme of Mozambique. However, approval did not denote approval of the projects listed therein or their funding levels. It also approved the amount of US \$92,400 and US \$12,012 support costs for institutional strengthening, to be included as an amendment to UNEP'S 1994 Work Programme, subject to the Government of Mozambique reporting to the Ozone Secretariat its consumption data in accordance with Article 7 of the Montreal Protocol.

74. The Executive Committee approved the country programme of Niger. However, approval did not denote approval of the projects listed therein or their funding levels. It also approved the amount of US \$74,800 and US \$9,724 support costs for institutional strengthening, to be included as an amendment to UNEP's 1994 Work Programme, subject to (a) the Government of Niger reporting to the Ozone Secretariat its consumption data in accordance with Article 7 of the Montreal Protocol, and (b) the budget component relating to Customs Briefings being utilized only after the establishment and functioning of the proposed national Ozone Secretariat.

75. The Executive Committee approved the country programme of Swaziland. However, approval did not denote approval of the projects listed therein or their funding levels. It also approved the amount of US \$67,320 and US \$8,752 as support costs for institutional strengthening, to be included as an amendment to UNEP's 1994 Work Programme, subject to the Government of Swaziland reporting to the Ozone Secretariat its consumption data in accordance with Article 7 of the Montreal Protocol.

76. The representative of UNIDO introduced the amendment to the country programme of China (UNEP/OzL.Pro/ExCom/15/20), the purpose of which was to include in the country programme the consumption of ODS in the tobacco sector.

77. The Executive Committee approved the amendment to the country programme of China. However, approval did not denote approval of the projects therein or their funding levels.

78. A representative, while not objecting to the approval of the amendment to the China country programme, felt that the document as presented did not appear to take into account the benefit that would accrue to the country in terms of lower use of tobacco (which was very significant), nor the fact that there was a difference in the efficiency of the CO₂ plants being proposed and those being replaced in terms of their tobacco-fluffing ability. Those were issues that would have to be addressed in terms of the projects that would be submitted.

Agenda item 8: Project proposals

79. The Executive Committee considered the recommendations of the Sub-Committee on Project Review. It noted that, in addition to recommending approval, the Sub-Committee in certain cases had made recommendations requesting that specific actions be taken. The Executive Committee considered that these recommendations should go forward as part of project approval and they have therefore been incorporated in the record of the meeting. The Executive Committee took the following action:

(a) Algeria (UNEP/OzL.Pro/ExCom/15/21)

80. The Executive Committee approved the following project to be implemented by UNIDO and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Investment project for phasing out CFCs at Entreprise Nationale des Industries de l'Electroménager, ENIEM	6,589,550
Plus 13 per cent project support costs to UNIDO	856,641

(b) Argentina (UNEP/OzL.Pro/ExCom/15/22 and Corr.1)

81. The Executive Committee approved the following project to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Elimination of the use of CFC in the manufacture of sandwich polyurethane panels at CINTER S.R.L.	725,000
Plus 13 per cent project support costs to UNDP	94,250

82. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Conversion to non-CFC technology in the production of heat exchangers for mobile air conditioning at Interclima, S.A.	1,983,430

	<u>Approved amount</u> <u>US \$</u>
Conversion to non-CFC technology in the production of condensers for mobile air conditioning at Simon Cachan, S.A.	2,738,217
Conversion to non-CFC technology in the production of complete mobile air conditioning systems at Mirgor, S.A.	35,632

Regarding the above project, the Executive Committee deferred approval of incremental operating costs at US \$1,882,187. Full production of condensers and evaporators for HFC-134a MAC units by Interclima and Simon Cachan might start only by 1996. By that time, a more realistic calculation of the incremental cost for the HFC-134a compressor could be calculated, on the basis of market prices prevailing at the time when actual costs were incurred.

83. The Executive Committee approved the following projects at the level of funding requested and asked the World Bank to report back to the Executive Committee on the level of actual operating costs at the time production of non-CFC refrigerators commenced in each plant (Fribe la Rioja, Fribe S.A., Helametal and McLean plants). Incremental operating costs were only being requested for a one-year duration. This decision was taken without prejudice to any decision taken by the Executive Committee on the policy paper concerning operating costs.

	<u>Approved amount</u> <u>US \$</u>
Elimination of ODS in the production of household refrigerators at the Fribe La Rioja Plant	1,488,127
Elimination of ODS in the production of domestic refrigerators in the Fribe, S.A. plant	1,822,750
Elimination of CFC in two manufacturing plants of domestic refrigerators (Helametal S.A., and Helametal Catamarca S.A.)	2,959,085
Elimination of CFC in the domestic refrigerator manufacturing plant of McLean	2,440,570

(c) Brazil (UNEP/OzL.Pro/ExCom/15/23)

84. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Conversion to reduced CFC technology in the manufacture of Refrigerators at Refrigeracao Parana S.A., Unidade Sao Carlos	162,603

The Executive Committee noted that the company would not be seeking additional funding for conversion from the transitional substance. It also encouraged implementing agencies and Article 5 countries to avoid the use of 50 per cent CFC reduced technology in future projects.

Replacement of CFC-11/12 with cyclopentane/HFC-134a foaming agent/refrigerant in the manufacture of domestic refrigerators (Metalfrio S.A.)	2,360,360
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The Executive Committee noted that helium leak detector equipment at a cost of US \$145,000 had been deducted from the above project and noted that incremental operating costs were being requested for a one-year period.

(d) China (UNEP/OzL.Pro/ExCom/15/24 and Corr.1)

85. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Conversion to non-CFC technology in the manufacture of flexible polyurethane foam at Beijing Yanxi	125,000
Plus 13 per cent project support costs to UNDP	16,250
Conversion to non-CFC technology in the manufacture of integral skin polyurethane foam at Hubei Auto Engineering	150,000
Plus 13 per cent project support costs to UNDP	19,500
Conversion to CFC-free technology in the manufacture of flexible polyurethane foam (slabstock) at Dalian No. 1	490,000
Plus 13 per cent project support costs to UNDP	63,700

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-12 in the manufacture of PE foam tubing at Suzhou Plastic Works No. 7	358,000
Plus 13 per cent project support costs to UNDP	46,540
Elimination of CFC-12 in the manufacture of EPS foam sheet at Sino-Foreign Joint Stock Shenyang Shenrong Co.	166,700
Plus 13 per cent project support costs to UNDP	21,671
Elimination of CFC-12 in the manufacture of PE/PS foam sheet at Shanghai Jianhua Electro-Mechanical and Mechanical Company	280,000
Plus 13 per cent project support costs to UNDP	36,400
Elimination of CFC-12 in the manufacture of XPS/XPE foam sheet at Foshan No. 3 Plastic Factory	1,065,000
Plus 13 per cent project support costs to UNDP	138,450
Elimination of CFC-12 in the manufacture of XPS/XPE foam sheet at Hailun Plastic Packaging Material Factory	321,000
Plus 13 per cent project support costs to UNDP	41,730
Elimination of CFC-12 in the manufacture of XPS foam sheet at Guizhou Jinchang Plastics Products Co. Ltd.	390,000
Plus 13 per cent project support costs to UNDP	50,700
Elimination of CFC-12 in the manufacture of XPS foam sheet at Shijiazhuang Plastic Cement General Factory	595,000
Plus 13 per cent project support costs to UNDP	77,350
Elimination of CFC-12 in the manufacture of XPE foam sheet and netting at Feicheng Plastic Products Factory	388,000
Plus 13 per cent project support costs to UNDP	50,440
Elimination of CFC-12 in the manufacture of XPS foam sheet at Guangxing Plastics Products Co., Hubei	401,000
Plus 13 per cent project support costs to UNDP	52,130
Elimination of CFC-12 in the manufacture of XPS foam sheet at Shenzhen Shentie Plastics Tableware Products Company, Shenzhen	345,000
Plus 13 per cent project support costs to UNDP	44,850

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-12 in the manufacture of XPE netting at Hebei Sixing Polypack Products Co. Ltd., Shijiazhuang	436,000
Plus 13 per cent project support costs to UNDP	56,680
Conversion to CFC-free technology in the manufacture of extruded polystyrene foam sheet at Jinfeng	235,340
Plus 13 per cent project support costs to UNDP	30,594
Conversion to CFC-free technology in the manufacture of extruded polystyrene foam sheet at Jinan	337,000
Plus 13 per cent project support costs to UNDP	43,810
<p>The Government of China proposed to forego incremental operating costs/savings in future ODS phase-out projects concerning extruded polystyrene/polyethylene foam sheets. However, the Executive Committee decided that operating costs/savings should continue to be calculated in the future in compliance with Executive Committee decisions and guidelines.</p>	
Conversion to non-CFC technology in the manufacture of flexible polyurethane foam at Faw-Trim	143,000
Plus 13 per cent project support costs to UNDP	18,590
<p>The Executive Committee requested UNDP to accelerate implementation of the above project.</p>	

86. The Executive Committee approved the following project to be implemented by UNIDO and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Conversion from halon 1211 to ABC dry powder and foam water spray at Nanjing Fire Fighting Equipment Factory	496,000
Plus 13 per cent project support costs to UNIDO	64,480

The Executive Committee noted that operating costs had been adjusted to reduce the price of ABC powder to account for possible double-counting and that expansion capacity had been reduced by adjusting ABC powder and steel consumption quantities. It agreed that approval of the project should not constitute a precedent.

87. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u> US \$
Conversion to CFC-free technology in the manufacture of flexible polyurethane foam (slabstock) at Dongfeng Plastic Plant	268,600
Conversion to CFC-free technology in the manufacture of extruded polyethylene and polystyrene foam sheet at Lanzhou Plastic Packing Material Factory	222,100
Conversion to CFC-free technology in the manufacture of extruded polyethylene and polystyrene foam sheet at Cangzhou No. 2 Plastic Plant	394,000
Conversion to CFC-free technology in the manufacture of extruded polyethylene and polystyrene foam sheet at Zhengzhou Plastic Plant	267,100
Conversion to CFC-free technology in the manufacture of flexible polyurethane foam (slabstock) in Gaofeng Plastic Plant	458,400
The Executive Committee requested the World Bank to report on the issues relating to possible reduction in the project cost by avoiding the need to construct an extension to the factory premises.	
Conversion to CFC-free technology in the manufacture of flexible polyurethane foam (slabstock) at Beijing Foam Plastic General Factory	720,000
The Executive Committee requested the World Bank to explore the possibility of improving the production technology at the plant in a way that would lead to cost reductions by avoiding the need for a very high cost accelerated cooling system and to report to the Executive Committee regarding possible reduction in the project cost.	
Conversion of medium-sized semi-hermetic CFC-12 air conditioning compressor production to HCFC-22 at Beijing Refrigerating Machinery Factory (GMRI)	3,098,000

88. At the Fifteenth Meeting of the Executive Committee, there was an insufficient amount of available funds to enable the Committee to approve all projects deemed eligible for funding. To assist the Executive Committee in overcoming this difficulty, the Chinese delegation suggested that the following projects could be cleared for approval to take effect when funds were made available, without the need for further consideration by the Committee:

	<u>Cleared for approval in the amount of US \$</u>
Conversion of small open-type CFC-12 refrigeration compressor production to HCFC-22 at Anhui Provincial Refrigerating Machinery Factory (APRMF)	2,224,000
Conversion of small semi-hermetic CFC-12 refrigeration compressor production to HCFC-22 at Nanjing Refrigerator General Works (NRGW)	2,890,000
Production of small ammonia refrigerating compressor at Yantai Refrigerating Machinery Works	2,874,000
Conversion of medium-sized open-type CFC-12 refrigeration compressor production to HCFC-22 at Shanghai Refrigerating Machine Works (SRMW)	2,710,000
Conversion of small semi-hermetic CFC-12 refrigeration compressor production to HCFC-22 at Jiangsu Taizhou Commercial Machinery Factory (JTCMF)	2,797,500

89. The Executive Committee welcomed and accepted this generous offer and agreed to go ahead according to the procedure set out in paragraph 121 of this report.

90. The Executive Committee stated that, whenever possible, HCFCs should not be used, but recognized that in this case, in view of the extensive review conducted, the advice of the World Bank expert, the ability of the country involved to implement non-ODS technologies effectively in this sub-sector at this time, the consequences to the ozone layer of delaying action, the cost effectiveness of this particular intervention, and the advanced state of project development, it was appropriate to proceed with HCFC technology in five projects and ammonia technology in one project. The applicability of HCFCs in commercial refrigeration projects should be examined by an expert group, possibly the OORG, which should prepare a report for submission to the Executive Committee. Any remaining projects in the sub-sector in China would be submitted as a package for the sub-sector with a view to reducing the costs for technology transfer and other project elements including royalties.

(e) Colombia (UNEP/OzL.Pro/ExCom/15/25)

91. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> US \$
Elimination of CFC-11 and 12 in the manufacture of unitary commercial refrigeration equipment at Industrial Colombia S.A. (Inducol)	381,548
Plus 13 per cent project support costs to UNDP	49,601
Elimination of CFC-11 and 12 in the manufacture of unitary commercial refrigeration equipment at Industrias de Refrigeracion Comercial S.A. (Indufrial)	442,644
Plus 13 per cent project support costs to UNDP	57,544
Elimination of CFC-11 and 12 in the manufacture of unitary commercial refrigeration equipment at Industrias Wonder S.A.	251,315
Plus 13 per cent project support costs to UNDP	32,671

(f) Egypt (UNEP/OzL.Pro/ExCom/15/26)

92. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> US \$
Conversion to CFC-free technology in the manufacture of flexible slabstock PUF at El-Tawil Manufacturing Company	121,000
Plus 13 per cent project support costs to UNDP	15,730
Conversion to CFC-free technology in the manufacturing of rigid PUF at seven enterprises (GMC, Petrojet, Modern Products, Cairo General Contractors Co., Egyptian Solar Energy, Tawifika, Helwan)	780,000
Plus 13 per cent project support costs to UNDP	101,400
Elimination of CFC in the manufacture of commercial refrigeration equipment at two enterprises (Port Said Metal Work, Co., and Royal Engineering, Co.)	1,023,000
Plus 13 per cent project support costs to UNDP	132,990

93. The Executive Committee approved the following project to be implemented by UNIDO and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Phasing out ODS at the Alaska, Helwan Company for Metallic Appliances, Iberna, El Nasr Company for Electric and Electronic Apparatus, Sital and Super Bosh domestic refrigeration plants	5,496,772
Plus 13 per cent project support costs to UNIDO	714,580

(g) Guatemala (UNEP/OzL.Pro/ExCom/15/27)

94. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-11 and 12 in the manufacture of unitary commercial refrigeration equipment at Industria Metalurgica Centroamericana S.A. (Imca)	155,017
Plus 13 per cent project support costs to UNDP	20,152
Elimination of CFC-11 and 12 in the manufacture of unitary commercial refrigeration equipment at Refrigeradores de Guatemala S.A. (Refrigua)	194,866
Plus 13 per cent project support costs to UNDP	25,333

The Executive Committee recommended that the foam dispensing system to be used by these two companies (a small pressurized foam dispenser system at a much lower cost than that of full size high pressure machines, and "solventless dispensing guns" instead of the large size foam machine) should be considered in similar low-consuming enterprises in other Article 5 countries. It further recommended that UNEP should highlight this technology in the OzonAction news letter once the projects had been implemented.

(h) Indonesia (UNEP/OzL.Pro/ExCom/15/28)

95. The Executive Committee approved the following project to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of the use of 111 TCA and CFC-113 in the manufacture of metal and plastic motorcycle parts at PT KGD Indonesia, Inc.	88,000
Plus 13 per cent project support costs to UNDP	11,440

96. The Executive Committee decided to defer approval of the following two projects to be implemented by UNDP because their cost effectiveness was worse than US \$100,000/tonne:

Elimination of the use of CFC-113 in the manufacture of metal personal headphone parts at PT Padma Pacific Sejahtera;

Elimination of the use of 111 TCA in the manufacture of nickel plated steel and brass AA battery parts at PT FDK-Intercallin.

97. The Executive Committee approved the following projects to be implemented by World Bank and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-11 in the manufacture of polyurethane foam sheet at Musimassejahtera Abadi	390,000
Elimination of CFC-11 in the manufacture of polyurethane foam sheet at Positive Foam Industry	449,000
Elimination of CFC-11 in the manufacture of polyurethane foam sheet at Multi Karya Makmur	123,700
Elimination of CFC-12 in the manufacture of extruded polyethylene and polystyrene foam sheet at PT Inter Foamindosentra	390,000

The Executive Committee requested the World Bank to report on the issue of the transfer of the proprietary technology to PT Intitri Muliatama and how the Government of Indonesia intended to proceed with that project. Implementing agencies were requested to ensure that adequate guarantees were obtained from technology vendors when technology transfer was to be replicated within the country.

Approved amount
US \$

Reduction of CFC-12 emission during service of MAC by use of recycling equipment	327,000
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The Executive Committee recommended that the proposal on implementation of Phase II be submitted after the assessment of Phase I had been completed.

Elimination in production of halon 1211 fire protection extinguishers at Dahlia Cahaya, Bayu Sentosa Agung and Chubb Lips	500,000
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The Executive Committee noted that operating costs had been adjusted to reflect a final product mix of 85 per cent ABC powder and 15 per cent carbon dioxide. It also noted that this project represented conversion of the entire sub-sector in Indonesia and that no further projects for the conversion of halon extinguishers would be brought forward. Approval did not constitute a precedent, and future projects would be guided by decisions of the Executive Committee relating to the study of incremental operating costs and savings in the halon portable fire extinguisher sub-sector. Approval was contingent on the World Bank receiving confirmation from the Government of Indonesia that no future production of halon portable fire extinguishers was planned.

Elimination of ODS used in the production of household refrigerators at PT Sharp Yasonta, Indonesia	346,000
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The Executive Committee approved implementation of testing and development of non-CFC foam insulation and refrigeration systems and conversion of the refrigeration part of the production line. A project on the conversion of the foam insulation system to cyclopentane would be submitted to a future meeting. The Executive Committee noted that the enterprise would contribute 50 per cent of the cost of the test equipment, but that this should not constitute a precedent. It agreed that the Secretariat should cooperate with sector experts and implementing agencies to prepare draft guidelines on eligible test equipment costs for future projects in this sector.

Elimination of ODS used in the production of household refrigerators at PT Lippo Melco Manufacturing	382,000
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The Executive Committee noted that the enterprise would contribute 50 per cent of the cost of the test equipment, but that this should not constitute a precedent. Issues of eligibility of test equipment should, in future, be guided by decisions of the Executive Committee related to the study on guidelines for eligible test equipment costs in this sector.

Elimination of ODS used in the manufacture of household refrigerators at PT Sanyo Industries Indonesia, Jakarta	558,000
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Approved amount
US \$

The Executive Committee requested the World Bank to report back on the requirement for high-pressure foam blowing equipment. It noted that the enterprise would contribute 50 per cent of the cost of the test equipment, but that this should not constitute a precedent. Issues of eligibility of test equipment should, in future, be guided by decisions of the Executive Committee related to the study on guidelines for eligible test equipment costs in this sector.

98. The Executive Committee decided to defer approval of the following two projects to be implemented by the World Bank because their cost effectiveness was worse than US \$100,000/tonne:

Conversion of metal cleaning processes from 1,1,1, trichlorethane (TCA) to aqueous cleaning at PT INTI;

Conversion of metal cleaning processes from 1,1,1, trichlorethane (TCA) to aqueous cleaning at PT Markindo Theco.

(i) Jordan (UNEP/OzL.Pro/ExCom/15/30)

99. The Executive Committee approved the following project to be implemented by the World Bank and the funds indicated:

Approved amount
US \$

Umbrella project for conversion to CFC-free technology at three flexible polyurethane foam factories (Arab Foam, Jordan Plastics, National Foam)	368,500
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(j) Malaysia (UNEP/OzL.Pro/ExCom/15/31)

100. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

Approved amount
US \$

Phase out of the use of CFC in the manufacture of rigid PU panels at Shaga Cooling Technology	190,000
Plus 13 per cent project support costs to UNDP	24,700
Phase out of CFC in the manufacture of rigid foam for use as imitation wood at Saferay (M) SDN BHD	246,000
Plus 13 per cent project support costs to UNDP	31,980

	<u>Approved amount</u> <u>US \$</u>
Phase out of CFC-11 in the manufacture of pipe insulation at Ricwil SDN BHD	118,000
Plus 13 per cent project support costs to UNDP	15,340
Elimination of CFCs in the manufacture of moulded and flexible PU foams at Dream Products SDN BHD	66,500
Plus 13 per cent project support costs to UNDP	8,645
Elimination of CFC in the manufacture of rigid foam panels at Rigid Foam Industries, SDN BHD	335,000
Plus 13 per cent project support costs to UNDP	43,550
Elimination of CFC in the manufacture of rigid foam panels and shipyard insulation works at Leading Refrigeration and Engineering, SDN BHD	214,000
Plus 13 per cent project support costs to UNDP	27,820

101. The Executive Committee decided to defer approval of the following project to be implemented by UNDP because its cost effectiveness was worse than US \$100,000/tonne:

Elimination of the use of 1,1,1, TCA in the metal cleaning processes at Kein Hing Industry Sdn Bhd.

102. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Conversion project at Argon Malaysia, Sdn. Bhd	131,200
Substitution of CFC-12 and CFC-11 with HFC-134a and HCFC-141b respectively and elimination of the use of 1,1,1, TCA in household refrigerator manufacturing at Matsushita Electric Co.	1,276,500

Approved amount
US \$

The Executive Committee noted that: (a) each project submitted should meet the guidelines and criteria established by the Executive Committee; (b) at its Thirteenth Meeting the Executive Committee had decided to grant the Bank permission to proceed with this project, with the incremental costs of the project being revised to take account of the Secretariat's and technical reviewer's comments and the project being resubmitted; and (c) the Bank had in fact addressed all of the issues and resubmitted the project. Approval was given on the understanding that the resubmitted project had been developed in accordance with the decisions of the Executive Committee.

Conversion of the aerosol filling plant Kontrak Manufacturing Services Sdn. Bhd.	618,000
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(k) Mauritius (UNEP/OzL.Pro/ExCom/15/32)

103. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Blyfridge Ltd.	197,208
Plus 13 per cent project support costs to UNDP	25,637
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at A.H. Bahemia	213,500
Plus 13 per cent project support costs to UNDP	27,755

(l) Mexico (UNEP/OzL.Pro/ExCom/15/33)

104. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of 1,1,1, TCA from the precision cleaning processes at Lucas Diesel	168,000
Plus 13 per cent project support costs to UNDP	21,840

	<u>Approved amount</u>
	<u>US \$</u>
Elimination of CFC-113 from the textile cleaning processes at Procesadora y Revitalizadora	71,337
Plus 13 per cent project support costs to UNDP	9,274
Elimination of CFC in the manufacture of domestic refrigerators for the Mabe Group (three enterprises)	4,495,689
Plus 13 per cent project support costs to UNDP	584,440
Elimination of CFC in the manufacture of domestic refrigerators by the Vitro Group of companies (three enterprises)	3,639,826
Plus 13 per cent project support costs to UNDP	473,177

(m) Peru (UNEP/OzL.Pro/ExCom/15/34)

105. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Industrias Alfa S.A.	252,727
Plus 13 per cent project support costs to UNDP	32,855
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Andina Industrial S.A.	229,816
Plus 13 per cent project support costs to UNDP	29,876
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Coldex S.A.	748,966
Plus 13 per cent project support costs to UNDP	97,366
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Industrias Lenche S.A. (Inlensa)	201,443
Plus 13 per cent project support costs to UNDP	26,188
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Industrias Reunidas S.A. (Inresa)	267,641
Plus 13 per cent project support costs to UNDP	34,793

	<u>Approved amount</u> <u>US \$</u>
Elimination of CFC-11 and 12 in the manufacture of domestic refrigerators at Industrial Selva S.A. (Indusel)	412,098
Plus 13 per cent project support costs to UNDP	53,573
 (n) <u>Syrian Arab Republic</u> (UNEP/OzL.Pro/ExCom/15/35)	

106. The Executive Committee approved the following projects to be implemented by UNIDO and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Investment project for phasing out CFC at Penguin (Syrian Batric Co.)	1,719,900
Plus 13 per cent project support costs to UNIDO	223,587
Phasing out CFC at Barada General Company for Metallic Industry	989,650
Plus 13 per cent project support costs to UNIDO	128,654

(o) Thailand (UNEP/OzL.Pro/ExCom/15/36)

107. The Executive Committee approved the following projects to be implemented by UNDP and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of the use of CFC in the manufacture of flexible PUF cold cured mouldings, integral skin mouldings and rigid PUF articles at Thai Union	525,000
Plus 13 per cent project support costs to UNDP	68,250
The Executive Committee requested UNDP to ensure that the old equipment replaced was disposed of in accordance with existing guidelines.	
Elimination of the use of CFC in the manufacture of flexible PUF slabstock and cold cured mouldings at Somboon Paisarn	225,000
Plus 13 per cent project support costs to UNDP	29,250
The Executive Committee requested UNDP to ensure that the old equipment replaced was disposed of in accordance with existing guidelines.	

	<u>Approved amount</u>
	<u>US \$</u>
Elimination of the use of CFCs in the manufacture of flexible PUF slabstock at Karn Yang	170,000
Plus 13 per cent project support costs to UNDP	22,100

The Executive Committee requested UNDP to ensure that the old equipment replaced was disposed of in accordance with existing guidelines.

108. The Executive Committee approved the following project to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Phase-out of ODS solvents at Thai Airways	463,900

The Executive Committee recommended that implementing agencies take into consideration the experience gained in preparation of this project when preparing similar projects in other Article 5 countries. It further recommended that implementing agencies strive during project preparation to consider alternative technologies to the use of Polyfluorohexane (PFCs).

(p) Turkey (UNEP/OzL.Pro/ExCom/15/37 and Corr.1)

109. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u>
	<u>US \$</u>
Conversion to CFC-free technology in the manufacture of rigid polyurethane foam insulation panels at Assan Demir ve Sac Sanayi A.S., Tuzla-Istanbul	925,000
Engineering assistance for the elimination of ODS used in the production of household refrigerators at PEG Profilo Elektrikli Gerecler Sanayii A.S.	1,578,000
Engineering assistance for the elimination of ODS used in the production of freezers and coolers at Klimasan Klima Sanayi ve Ticaret A.S.	690,903

110. The Executive Committee granted permission to proceed to the World Bank to develop

further the following project:

Engineering assistance for the elimination of ODS used in the production of household refrigerators at Pekel Teknik Sanyi ve Ticaret A.S.

(q) Uruguay (UNEP/OzL.Pro/ExCom/15/38)

111. The Executive Committee approved the following projects to be implemented by the World Bank and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Elimination of the use of CFC-11 as a blowing agent in rigid polyurethane foam used as insulation in thermal tanks at Etchepare-Gil S.A.	235,050
Elimination of the use of CFC-11 as a blowing agent in rigid polyurethane foams used as insulation for refrigerators and substitution of CFC-12 used as refrigerant at Indurnor S.A.	448,140
Elimination of the use of CFC-11 as blowing agent in rigid polyurethane foams used as insulation in thermal tanks at TEM S.A.	220,300
The Executive Committee requested the World Bank to ensure that the old equipment replaced was disposed of in accordance with existing guidelines.	
Elimination of the use of CFC-11 as blowing agent in rigid polyurethane foams used as insulation in cold storage and substitution of CFC-12 used as refrigerant with HFC-134a at Colder S.R.L.	325,070
The Executive Committee requested the World Bank to ensure that the old equipment replaced was disposed of in accordance with existing guidelines.	

(r) Viet Nam (UNEP/OzL.Pro/ExCom/15/39)

112. The Executive Committee approved the following project to be implemented by UNIDO and the funds indicated:

	<u>Approved amount</u> <u>US \$</u>
Phasing out ODS at the Searefico and Searee industrial refrigeration plants of Seaprodex Co.	497,070
Plus 13 per cent project support costs to UNIDO	64,619

113. The representative of Denmark and the observers for Greenpeace and Friends of the Earth expressed concern at the Executive Committee approving a number of projects that would employ HCFCs or 50 per cent CFC reduced technology. The observer for Greenpeace suggested that, in order to make valid long-term decisions on which technologies to choose, the Committee should ask for a full analysis of the scientific aspects and political considerations surrounding the use of HCFCs.

Conversion of domestic refrigerator production facilities to phase out CFC-11 and CFC-12 at Arj, Azmayesh, Bahman, Iran Poya and Pars Appliances (Islamic Republic of Iran)

114. At the request of the representative of UNIDO, the Committee agreed to reconsider this project, Phase I of which had been approved at its Eleventh Meeting. It noted that Phase I of the project was now being implemented and that Phase II had been reformulated for review of this meeting but not submitted for administrative reasons.

115. The representative of UNIDO was concerned that a delay in taking a decision on Phase II of the project might result in its non-approval. She sought Committee approval on the understanding that the funds would be made available for its implementation in about one or two months' time, a course of action which found support from the representative of the Islamic Republic of Iran who noted that any delay in implementation of the project would not be cost effective.

116. The Chief Officer confirmed the prior approval of Phase I of the project. The Secretariat had reviewed the reformulated Phase II portion, but had not had the project document in sufficient time to permit issuing it for the Executive Committee's consideration. The funding of Phase II was not an issue since the funding requested for its implementation was substantially reduced.

117. The Executive Committee requested the Secretariat to process Phase II of the project for intersessional approval while awaiting a decision on funding.

Implementing agencies' request for guidance

118. The representative of the World Bank, speaking on behalf of the implementing agencies, sought guidance from the Committee to assist the implementing agencies in preparing projects for submission to the Committee's next meeting, given the expected shortfall in funding. The implementing agencies requested that the funding required for projects in 1995 be defined at the present meeting in order to expedite the Committee's work and avoid disappointments and frustrations.

119. The Executive Committee indicated that, given the financial situation of the Fund at the moment, there would be little point in the implementing agencies presenting projects to the next Executive Committee meeting. However, the implementing agencies would be expected to present their work programmes for approval by the Executive Committee at that meeting.

120. The Executive Committee agreed to defer discussion on this issue until the Sub-Committee on Financial Matters had had an opportunity to deal with the long-term and other issues related thereto.

Procedure on clearance for approved projects pending the availability of funds

121. The Chairman of the Sub-Committee on Financial Matters informed the Executive Committee of a draft procedure being developed by the Sub-Committee to ensure that any delay in the implementation of projects cleared for approval pending the availability of funds was kept to a strict minimum. The following procedure was therefore recommended for use by the Committee for releasing funds exclusively to projects cleared for approval during the Fifteenth Meeting of the Executive Committee:

- "1. The Executive Committee will add a new procedure called 'cleared for approval pending availability of funds'. Projects cleared for approval will be identified in the Report of the Meeting with their corresponding recommended levels of funding.
2. To comply with the Terms of Reference for the Multilateral Fund, the projects cleared for approval do not constitute a financial commitment from the Committee until sufficient contributions are received.
3. When sufficient funds have been received, the Treasurer, through the Fund Secretariat, will notify all members of the Executive Committee and will release the recommended levels of funding to the pertinent agency. Such release of funds will be recorded in the Report of the Sixteenth Meeting of the Executive Committee.
4. Projects cleared for approval at the Fifteenth Meeting will take precedence over other projects submitted subsequently to the Executive Committee."

GENERAL POLICY ISSUES ARISING FROM PROJECTS

122. The Executive Committee examined the report of the Sub-Committee on Project Review on its discussion of issues of a general nature arising from project review, and took the following decisions.

Technical review of projects

123. Many of the projects submitted had used an old format for project reviews despite the fact that guidelines on project review had been adopted by the Executive Committee. The Executive Committee stressed the importance of good technical reviews, and requested implementing agencies to follow Executive Committee guidance and use the format for reviews adopted by the Executive Committee and ensure that these proposals included responses to the comments of project reviewers.

Relationship between contingency, support and institutional strengthening costs

124. The Executive Committee requested implementing agencies jointly to prepare a paper which would clarify the relationship between the 15 per cent contingency costs, 3 per cent financial intermediary fees, 13 per cent agencies' overhead costs and funding provided for institutional strengthening.

Technology upgrades

125. A number of projects submitted had components which the Secretariat, and, in some cases, the implementing agencies considered an upgrade of existing technology, not essential for conversion. Those components were not eligible as incremental costs. The Executive Committee requested the Secretariat to consult with sector experts and implementing agencies on how to deal with this issue before the Sixteenth Meeting.

Incremental operating costs and savings in the halon portable fire extinguisher sub-sector

126. The Executive Committee requested the Secretariat to consult with sector experts and implementing agencies and prepare a paper before the Sixteenth Meeting of the Executive Committee to address the issue of incremental operating costs and savings in the halon portable fire extinguisher sub-sector, to provide guidance for future projects in this sub-sector. This paper would consider, among other things, the use of soft loans, changes to the duration of incremental costs, and the likely results of taking no action.

High cost of test equipment

127. Several projects in the domestic refrigeration sector had test equipment components substantially higher than normally found in such projects. In each case the enterprise was part-owned by a multinational corporation. For each project the Secretariat had recommended that an increased proportion of the costs be borne by the enterprise. The Executive Committee requested the Secretariat to work with sector experts and implementing agencies to establish a methodology for treatment of test equipment requirements in the domestic refrigeration sector. The Secretariat should include an examination of the cost and type of test equipment used in projects approved to date.

128. The Executive Committee further requested the Secretariat to consult with sector experts and implementing agencies to document, on the basis of experience to date with projects approved by the Executive Committee, typical successful projects in the domestic refrigeration sub-sector.

Two-stage phase out in domestic refrigerator foam

129. Several projects were submitted for conversion of domestic refrigerator insulation foam. The two commonly available technologies, HCFC-141b and cyclopentane, were each represented. Conversion costs were frequently higher for cyclopentane, because of safety requirements arising from the use of a flammable agent. However, for cyclopentane technology, this was a once-only cost. Additional conversion costs would normally be required in due course to convert HCFC-141b plants to ODS-free technology. As HCFCs were not controlled substances for Article 5 countries, incremental costs for conversion of HCFC-141b plants were not eligible for funding. Implementing agencies should note a presumption against HCFCs when preparing projects. Where HCFC projects were proposed, the choice of this technology should be fully justified and include an estimate of the potential future costs of second-stage conversion. The Executive Committee requested implementing agencies to take this issue into consideration when preparing projects for domestic refrigerator insulation foam conversion.

Methylene chloride projects

130. The Executive Committee took note of the variable treatment of operational cost calculations in methylene chloride projects. The Executive Committee requested the Secretariat to consult with sector experts and the implementing agencies, to adopt a methodology for treatment of operational costs for future methylene chloride projects, and to report back to the Sixteenth Meeting of the Executive Committee.

Poor cost effectiveness in solvent project proposals

131. The Executive Committee noted that a number of projects for replacement of ozone-depleting solvents had very poor cost effectiveness. It also noted that technological developments were likely to become available within the next few years that would significantly reduce the costs involved. Noting the need to make the best use of the resources available to the Fund and to provide maximum protection to the ozone layer, the Executive Committee considered that, for those reasons, in this sub-sector it would be appropriate to establish a cost effectiveness threshold above which ODS solvent substitution projects would not be approved. The Executive Committee set the cost effectiveness limit at US \$100,000 per ODP tonne, where cost effectiveness was calculated as the project cost divided by the amount of one-year reductions in ODS to be phased-out in ODP tonnes. Above that threshold, ODS substitution projects would not be approved.

Project preparation and evaluation

132. A small ad hoc working group should be established to consider between the present meeting and the Sixteenth Meeting of the Executive Committee, project preparation and evaluation and generic issues associated with the process, and to facilitate dialogue. The ad hoc working group should remain small and consist of representatives from the Fund Secretariat,

interested implementing agencies and the Executive Committee itself. The Executive Committee decided that the Chairman and Vice-Chairman would meet with implementing agencies and the Secretariat between the present meeting and the Sixteenth Meeting to consider project preparation and evaluation and generic issues associated with the process and to facilitate dialogue.

133. One representative said that he had been encouraged by the quality of the debate on policy issues in the Executive Committee. His delegation had felt that it was not appropriate to request members to approve projects which raised these policy issues in advance of being able to discuss them and issue guidelines. He looked forward to receiving the proposals on policy guidelines, but would like to receive assurances that, at its next meeting, the Committee could address these guidelines before projects which involved them were put forward for approval. He found it unsatisfactory to be requested to approve projects with the proviso that it did not set a precedent.

Agenda item 9: Draft report on the review under paragraph 8 of Article 5 of the Montreal Protocol

134. At the request of the Chairman who had chaired the Sub-Committee for the Report on the Review under Paragraph 8 of Article 5 of the Montreal Protocol, the representative of Australia presented the Sub-Committee's report. The Sub-Committee's meeting had been attended by representatives of Australia, Brazil, India, United States of America and Venezuela, pursuant to a decision of the Fourteenth Meeting of the Executive Committee. Representatives of ICF, Inc., the consultant for the study, had also attended. The Sub-Committee agreed that the draft report met the terms of reference and recommended a number of clarifications for inclusion in the final report.

135. The Executive Committee approved the Sub-Committee's recommendation that the following clarifications should be included in the final report:

- (a) The last sentence of paragraph 150 should be clarified to indicate that phase-out would proceed at the same rate as in non-Article 5 countries;
- (b) At the beginning of the Executive Summary and Chapter 6, it should be emphasized that:
 - (i) unless otherwise noted, a 10 per cent discount rate had been used; and
 - (ii) price forecasts used in the study represented the best available data.
- (c) The Executive Summary and the Report should be expanded to specify that assumptions about the policies of the Executive Committee made for the purposes of the study did not prejudice any future decisions of the Committee.

- (d) A complete list of all policy assumptions used to generate the quantitative results presented in Chapter 6 should be annexed to the Executive Summary. This list should include assumptions about the role of banking and essential use exemptions in the construction of the ODS emissions forecasts for non-Article 5 countries and the discounting of production phase-out costs.
- (e) The basis of the estimate for production phase-out costs presented in paragraph 39 of the report should be explained.
- (f) The report should emphasize that the quantitative results generated by the study did not reflect the amount of funds committed to the Fund to date nor the amounts approved by the Executive Committee and their resulting ODS reductions.
- (g) The presentation in ES-9 should be clarified to specify the year of the peak concentrations and the year in which the concentration returned to 2 ppb.
- (h) The study should indicate that the feasibility of each phase-out scenario was contingent upon the indicated level of resources from the Multilateral Fund being available and a statement should be included regarding the historic level of contributions received.
- (i) The terms of reference should be annexed to the report and the document numbers of the Sub-Committee reports referred to in the body of the report of the consultant should be included.
- (j) Technology transfer resulting from bilateral contributions should be mentioned in the report.
- (k) The language in paragraph 146 should be amended to indicate that "typical" rather than "average" values had been used in the construction of model project cost estimates.
- (l) The report should clarify that ODS-use growth rates used in the model analysis were applicable to target-driven segments and not to accelerated segments.
- (m) Section 3.4.3.5 should clarify that technology penetration included the amount of time to needed to implement the project on the shop floor.

136. While commending the authors for the report, the representative of Denmark introduced and circulated a report on the experience of Danish industry, showing that in most cases of foam production there was no need for substances such as HCFC nor other ozone-depleting substances. The Danish delegation had transmitted a copy to the Technology and Economic Assessment Panel.

137. The Executive Committee authorized the Secretariat to transmit the document to the Ozone Secretariat.

Agenda item 10: Should the Multilateral Fund finance the conversion efforts of enterprises in Article 5 countries which export to non-Article 5 countries? (Draft)

138. The Chief Officer introduced UNEP/OzL.Pro/ExCom/15/41, prepared in response to a decision of the Executive Committee at its Thirteenth Meeting. The paper attempted to present in a balanced manner the arguments both in favour of and against financing by the Multilateral Fund of the conversion efforts of enterprises in Article 5 countries which exported all or part of their products to non-Article 5 countries, with the aim of assisting the Executive Committee in its deliberations on this issue. It contained no recommendations, and was presented as a basis for discussion only.

139. It was suggested that it might be useful to take into account the proposals that would be forthcoming from the Sub-Committee on Project Review concerning a number of projects that it had considered the previous day which contained an export component. The Chief Officer indicated that the Sub-Committee had considered five projects in the domestic refrigeration sub-sector that had a component of export to non-Article 5 countries. In some instances, the countries for which exports were destined were identified. In all instances, the percentages earmarked for export were stated. In two cases, the representative of UNDP had reported that the enterprises had agreed to discount the percentage for export in presenting their proposals. In three projects presented by the World Bank, the export components stood at, respectively, 50 per cent, 20 per cent and 10 per cent, destined for a mix of both Article 5 and non-Article 5 countries. The Sub-Committee had agreed to recommend that the costs of the three projects be adjusted to reflect the export component, pending a policy decision by the Executive Committee on the issue of whether or not to fund exports to non-Article 5 countries.

140. The representative of UNDP explained that the two enterprises were reluctant to discount the percentage for export, but did not wish to jeopardize approval of the projects. They had therefore agreed to remove that percentage, provided that it would be reinstated if the Executive Committee took a policy decision to fund exports to non-Article 5 countries.

141. In the exchange of views that followed, those countries that favoured funding exports to non-Article 5 countries opined that such funding did not constitute a subsidy and that the reconversion process in developing countries should be supported by developed countries. It should be considered among the basic resources covered by the Multilateral Fund, and availability of funds or current financial stringencies should not be a factor. In addition, it would be very difficult to monitor exports, because an enterprise might export part of its product at one stage but not at another.

142. On the other hand, those countries that felt exports to non-Article 5 countries should not be funded contended that, while basic resources should - and indeed were - covered by the Multilateral Fund, that should not be extended to products that were being exported to non-Article 5 countries. To do so would be to establish a system whereby non-Article 5 countries were paying into a Fund that was being used indirectly and ultimately to subsidize products coming back into non-Article 5 countries. By far the most efficient use of the Multilateral Fund would be to focus its action on Article 5 countries themselves.

143. The representative of the World Bank suggested as an alternative approach that incremental capital costs be covered in a country regardless of its export market since those funds would be spent in the country itself and the country would benefit, while incremental operating costs could be adjusted to take account of exports. A representative understood the basic premise behind this suggestion to be that availability of capital was the obstacle in some Article 5 countries. If that was the case, perhaps some form of concessional loan might be a more appropriate way of dealing with capital costs associated with exports to non-Article 5 countries. Another representative opposed the World Bank suggestion, contending that this would be a cut-back in operating costs for exporting countries. The Multilateral Fund should be committed to funding totally reconversion in Article 5 countries.

144. It was suggested that the Executive Committee could not afford to devote much more time to this issue. On the other hand, at least one representative felt that there were some areas of agreement and that the Committee could resolve the question if an opportunity was available for less formal discussions. He suggested the creation of a small working group to try to develop a common approach, which could then be presented to the Executive Committee for decision.

145. This suggestion was widely supported, and the Chairman asked the representative of Colombia to chair a working group composed of the representatives of China, Denmark, Islamic Republic of Iran, United Kingdom, and the United States of America to examine the question with a view to presenting a recommendation to the Executive Committee later in the session.

146. The representative of Colombia submitted the following guidelines, which had been agreed by the working group:

"In projects which benefit enterprises that export part of their production to non-Article 5 countries, the following rules shall apply:

1. Where exports to non-Article 5 countries correspond to or are less than 10 per cent of total production, the total incremental costs shall be covered.
2. Where exports to non-Article 5 countries exceed 10 per cent of production but do not exceed 70 per cent, there shall be a reduction equivalent to the percentage of total production represented by such exports less 10 per cent.
3. Where exports to non-Article 5 countries exceed 70 per cent of production, the project shall not be eligible.
4. The average over the three years prior to submission of the project shall be used to determine production and exports to non-Article 5 countries.
5. Projects where the exports to non-Article 5 countries are in the form of agricultural or fisheries products shall be eligible for total incremental costs."

147. The Executive Committee endorsed the guidelines and decided to apply them to the five projects it had approved at the present meeting which had an export component.

Agenda Item 11: Draft terms of reference for an expert group on the production of substitutes for ozone-depleting substances

148. The Chief Officer introduced UNEP/OzL.Pro/ExCom/15/42/Rev.1 containing the draft terms of reference for an Expert Group on the Production of Substitutes for Ozone-Depleting Substances. He recalled that the Group was to be convened pursuant to a decision of the Twelfth Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/12/37, paragraph 109).

149. On 28 October 1994, the Secretariat had met with a panel of experts in Montreal. The panel was composed of experts from both Article 5 and non-Article 5 country industries and represented a mix of experience of process engineering in research and development and production, technology transfer between technology suppliers and developing countries, marketing and business. Based on discussions in the panel and on its prior consultations, the Secretariat had prepared the draft terms of reference before the Committee.

150. The Committee noted a request by the observer for Greenpeace that, following the precedent set by the World Bank's Ozone Operations Resource Group whereby outside observers, including non-governmental organizations, were invited to attend its discussions on technical issues, the same practice be applied in the case of this Expert Group.

151. The Committee further noted the request of one representative to have the terms of reference indicate that (i) the activities that were considered for individual countries should take into account the activities of those countries and not be considered in a vacuum; and (ii) in countries where there were multiple plants the Committee would be able to discuss the potential effectiveness of an entire sectoral phase-out strategy as well as the potential for a plant-by-plant approach.

152. In extending his support for the proposed terms of reference, another representative sought assurance that there would be full coordination with such organizations as the Technology and Economic Assessment Panel and OORG. Also, within the context of the issues to be reviewed by the Group, his delegation would like to have explicit recognition that ozone-friendly alternatives advocated by Greenpeace would be fully investigated.

153. Another representative suggested that the items enumerated in Annex A of UNEP/OzL.Pro/ExCom/15/42/Rev.1 be broadened to include *inter alia* issues relating to training, companies which were partly owned by multinationals, capacity of absorption of important technology and relocation on account of safety and environmental considerations. The Chief Officer explained that the list was not meant to be exhaustive and he cautioned that their inclusion might require further guidance from the Committee and have a considerable impact on the size of the Group. Responding to a request for clarification by the same representative, the Chief Officer said that destenching of LPG did not come within the purview of the Annex.

154. The representative of the World Bank observed that there would be a need for an economist or a financial expert on the Group to assist it with development of a standard methodology for calculating incremental costs in the production sector for use by the implementing agencies.

155. The Chief Officer confirmed that it was the Secretariat's intention that the Group should include an economist or financial expert, in addition to four members to be nominated, two each from Article 5 and non-Article 5 countries, and other candidates with expertise in the different sectors and sub-sectors to be selected from rosters available to the Secretariat or recommended by governments.

156. The Committee agreed to the suggestion of a representative that a sentence reading: "In formulating such advice, consideration should be given to non-global warming alternatives, wherever possible" be inserted at the end of sub-paragraph 7(a) of the draft terms of reference.

157. The Executive Committee approved the terms of reference as amended and they are attached as Annex III to this report.

158. The Executive Committee further decided that the draft terms of reference to be prepared for the purpose of audit of the ODS producing industries in each of the ODS producing Article 5 countries by the Expert Group on the Production of Substitutes for ODS should not include policy and strategic issues as those were to be addressed by the country in its sector strategy.

Agenda item 12: Meeting of the needs of Article 5 Parties for controlled substances during the grace and phase-out periods - an update

159. The Chief Officer introduced UNEP/OzL.Pro/ExCom/15/43 and Corr.1 containing a draft update on the Executive Committee's report, "Meeting the needs of Article 5 Parties for controlled substances during the grace and phase-out periods", which had been presented to the Fourth Meeting of the Parties to the Montreal Protocol. The purpose of the document was to provide updated global information on ODS consumption and production, assess potential shortfalls, and identify means of meeting them.

160. A representative thanked the Secretariat for its excellent work in preparing the draft update. This was an important issue that would take on even greater importance in 1995 when the Parties would enter into negotiations under the Montreal Protocol. For that reason, it was essential that the report the Executive Committee produced be very clear in its presentation. He identified a number of issues that his delegation felt required clarification, and suggested that perhaps a small working group could be formed with a view to completing work on the update during the present meeting.

161. Support for this suggestion having been voiced, the Chairman asked the representative of the United States of America to chair a working group composed of representatives of China, Colombia and the United Kingdom, whose task would be to examine the Secretariat's draft update with a view to its approval during the present meeting.

162. The representative of the United States, as chairman of the working group, presented its report in document UNEP/OzL.Pro/ExCom/15/43/Rev.1. He thanked the Secretariat for its diligent efforts in preparing the original document, as well as the working group members who

had carefully examined that very technical document to ensure that everything was correct. In fact, the Secretariat had drawn attention to one or two typographical errors in the footnotes that would be corrected. The document as revised had been agreed to by everyone in the group, which was recommending that it go forward to the Meeting of the Parties.

163. The Executive Committee adopted the revised document and authorized the Secretariat to transmit it through the Ozone Secretariat to the Seventh Meeting of the Parties to the Montreal Protocol.

Agenda item 13: Options for incremental operational cost durations in the domestic refrigeration sector (draft)

164. In introducing document UNEP/OzL.Pro/ExCom/15/44, the Chief Officer recalled that the Thirteenth Meeting of the Executive Committee had requested UNDP, UNIDO and the World Bank to formulate a joint proposal for calculation of incremental operating costs in the domestic refrigeration sector, taking into account the various issues involved in such calculation, for presentation to the Fourteenth Meeting of the Executive Committee. In view of the short duration of that meeting, the report was now being submitted to the present Meeting.

165. There was consensus that this was a significant policy issue on which clear guidelines were required in order to obviate certain difficulties encountered in the past.

166. One representative observed that it would be difficult to select from amongst those options as it would impose a heavy burden on Article 5 countries.

167. Taking into account the views expressed during the discussion, the Committee agreed to retain all three options outlined in the paper so as to enable the Parties concerned to identify the option best suited to their needs.

Agenda item 14: Other matters

Guidelines for the conduct of Sub-Committee Meetings

168. A representative noted that, unlike the Sub-Committee on Financial Matters, no terms of reference existed for the Sub-Committee on Project Review. That lack had caused problems concerning possible participation in meetings of the Sub-Committee by Executive Committee members who were not members of the Sub-Committee. There was, he suggested, a need for guidelines to regulate the participation of Executive Committee members, since requests from such members to participate had been dealt with differently over the three meetings the Sub-Committee had held so far.

169. The Chief Officer indicated that this problem and the need for terms of reference had been recognized by the Sub-Committee and, in consultation with its Chairman, draft terms of reference had been prepared and were before the Committee.

170. The representative who had raised the issue found the draft generally acceptable, but argued that it must provide not only for the attendance but also the participation of members of the Executive Committee. There should be a distinction between such members and other observers. Executive Committee members should be allowed to speak on all projects but not to vote, while other observers could be admitted with the express consent of the Chairman but not allowed to participate.

171. Some representatives supported this position while others preferred the more restrictive approach of the draft, contending that for practical reasons alone it was essential to limit participation if the Sub-Committee was to carry out its work expeditiously and efficiently.

172. The observers for Friends of the Earth and Greenpeace urged that provision be included in the terms of reference for attendance by the non-governmental organizations as observers, with the understanding that they would only be entitled to speak if specifically asked to do so by the Chairman. It was true that the NGOs had an opportunity to comment on any project in the Executive Committee meeting itself. However, they would be placed at a distinct disadvantage in trying to comment constructively if they were to be the only group denied the opportunity to hear the explanations of and reasons for the Sub-Committee's recommendations.

173. The Executive Committee thereupon approved the following terms of reference for the Sub-Committee on Project Review:

"Terms of Reference

The Sub-Committee on Project Review will:

- (a) consider and review projects and activities submitted to the Executive Committee under bilateral cooperation; implementing agencies' work programmes; country programmes; and investment projects submitted by the implementing agencies;
- (b) address issues arising from projects and activities submitted to the Executive Committee in accordance with established guidelines and criteria;
- (c) identify and clarify outstanding policy issues arising from projects submitted to the Executive Committee;
- (d) report and make recommendations on the above to the Executive Committee; and
- (e) consider any other matter the Executive Committee deems appropriate.

The Sub-Committee shall consist of three Executive Committee members from Parties operating under paragraph 1 of Article 5 of the Montreal Protocol and three Executive Committee members from Parties not so operating. The Chairman of the Sub-Committee will be determined by the membership and will alternate among members between Article 5 and non-Article 5 Parties from one Meeting of the Parties to the next.

The Secretariat will assist the Sub-Committee in its work and participate in Sub-Committee meetings. Implementing agencies are required to participate. The Sub-Committee may invite representatives of the established Technical Advisory Group and the Group on Production of Substitutes or other experts to participate in the meetings.

The Sub-Committee will be a Standing Committee. It will be appointed for a period coinciding with the terms of the office of the Chairman and Vice-Chairman of the Executive Committee.

The Sub-Committee will convene its meetings as determined by the Executive Committee.

The Sub-Committee will be a closed Committee. Executive Committee members may be admitted as observers with the express agreement of the Chairman. With the concurrence of all members of the Sub-Committee the Chairman could invite the observers to speak. Non-governmental organizations may nominate one representative to observe the meeting of the Sub-Committee but may not participate. Implementing agencies will explain details of projects before the Sub-Committee and provide information to assist the Sub-Committee in its deliberations.

The Sub-Committee will require final details of all projects it is to consider to be distributed to members no later than seven days before the meeting.

The working language of the meetings of the Sub-Committee will be English."

IV. ADOPTION OF THE REPORT

174. The Executive Committee adopted the present report, on the basis of the draft report contained in document UNEP/OzL.Pro/ExCom/15/L.1, at its closing session, on 16 December 1994.

V. DATE OF THE SIXTEENTH MEETING OF THE EXECUTIVE COMMITTEE

175. The Executive Committee decided to hold its Sixteenth Meeting at Montreal from 15 to 17 March 1995, with the joint meeting of the Sub-Committee on Financial Matters and the Sub-Committee on Project Review being held on 13 and 14 March. That meeting would focus primarily on policy issues and on approval of the work programmes of the implementing agencies. The Seventeenth Meeting would be held at Montreal from 26 to 28 July 1995 with a joint meeting of the two Sub-Committees (if necessary) being held on 24 and 25 July. The Executive Committee also decided to reserve two days prior to the Preparatory Meeting of the Seventh Meeting of the Parties in order to hold a meeting if necessary. In the light of the information available at the July meeting concerning the volume of projects needing consideration, the Executive Committee would decide whether a longer meeting was required in Vienna or whether other arrangements would be made.

VI. CLOSURE OF THE MEETING

176. The Executive Committee expressed its appreciation of the very hard work of all members of the Secretariat of the Multilateral Fund and the tireless efforts of the Chief Officer in putting together the documentation for this meeting and in facilitating the very smooth running of the meeting.

177. Following the customary exchanges of courtesies, the Chairman declared the Fifteenth Meeting of the Executive Committee closed.

ANNEX I**MULTILATERAL FUND FOR THE IMPLEMENTATION
OF THE MONTREAL PROTOCOL****Status of the Fund as at 14 December 1994**

	US dollars
INCOME	
Contributions received	
- Cash Payments	250,215,760
- Promissory Notes	40,869,535
Bilateral Contributions	7,237,142
Interest earned 5,715,027	
Miscellaneous income	2,093,536
TOTAL	306,131,000
CASH DISBURSEMENTS	
UNDP	62,952,200
UNEP	12,452,254
UNIDO	22,542,494
World Bank	90,095,944
Bilateral Assistance	7,237,142
Secretariat (1991X1994)	8,923,526
Programme support (1991X1994)	379,692
Cash advance to Ozone Secretariat	450,000
TOTAL	205,033,252
PROMISSORY NOTES TRANSFERRED OR EARMARKED	
World Bank's 13th ExCom approvals	13,218,950
World Bank's 14th ExCom approvals	3,802,000
Earmarked for the World Bank's Indian pilot phase projects	4,000,000
TOTAL	21,020,950
BALANCE AVAILABLE	80,076,798

**TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION
OF THE MONTREAL PROTOCOL**

**1991 - 1994 CONTRIBUTIONS SUMMARY STATUS
AS AT 14 DECEMBER 1994**

DESCRIPTION	1991	1992	1993	1994	TOTAL
PLEGGED CONTRIBUTIONS	53,320,777	73,339,613	114,627,731	151,672,304	392,960,425
CASH PAYMENTS	45,321,555	57,784,915	83,451,211	63,658,079	250,215,760
BILATERAL ASSISTANCE	480,000	1,726,772	2,282,736	2,747,634	7,237,142
PROMISSORY NOTES	0	3,283,914	7,994,173	29,591,448	40,869,535
TOTAL PAYMENT	45,801,555	62,795,601	93,728,120	95,997,161	298,322,437
OUTSTANDING PLEDGES	7,519,222	10,544,012	20,899,611	55,675,143	94,637,988

TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
1991 - 1994 CONTRIBUTIONS SUMMARY STATUS
AS AT 14 DECEMBER 1994

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	6,958,244	6,847,733	102,571	0	7,940
AUSTRIA	3,397,460	1,715,371	0	0	1,682,089
BAHRAIN	69,428	0	0	0	69,428
BELARUS	1,962,872	0	0	0	1,962,872
BELGIUM	4,984,574	3,135,548	0	0	1,849,026
BRUNEI DARUSSALAM	14,127	0	0	0	14,127
BULGARIA	526,756	222,032	0	0	304,724
CANADA	14,119,750	7,861,444	833,333	0	5,424,973
CYPRUS	61,534	0	0	0	61,534
CZECH REPUBLIC	2,023,271	872,078	0	0	1,151,193
DENMARK	3,016,144	3,016,144	0	0	0
FINLAND	2,504,891	2,504,891	0	0	0
FRANCE	27,665,722	5,921,449	254,774	19,651,087	1,838,412
GERMANY	41,261,119	25,665,567	18,378	12,461,739	3,115,435
GREECE	1,665,998	2,298,143	0	0	(632,145)
HUNGARY	863,111	0	0	0	863,111
ICELAND	136,487	149,483	0	0	(12,996)
IRELAND	818,926	818,926	0	0	0
ISRAEL	707,647	707,647	0	0	0
ITALY	19,075,861	7,620,945	0	0	11,454,916
JAPAN	55,066,370	55,066,370	0	0	0
KOREA, REPUBLIC OF	2,122,941	0	0	0	2,122,941
KUWAIT	722,640	0	0	0	722,640
LIECHTENSTEIN	45,496	45,496	0	0	0
LUXEMBOURG	272,976	272,976	0	0	0
MALTA	28,052	28,052	0	0	0
MONACO	24,927	24,927	0	0	0
NETHERLANDS	7,045,306	4,428,759	0	0	2,616,547
NEW ZEALAND	1,091,899	1,091,899	0	0	0
NORWAY	2,502,271	2,310,376	0	0	191,895
PANAMA	5,638	16,915	0	0	(11,277)
POLAND	1,919,379	473,318	0	0	1,446,061
PORTUGAL	880,460	0	0	0	880,460
RUSSIAN FEDERATION	35,358,687	0	0	0	35,358,687
SAUDI ARABIA	2,431,518	0	0	0	2,431,518
SINGAPORE	531,221	425,921	71,976	0	33,324
SLOVAKIA	226,767	0	0	0	226,767
SOUTH AFRICA	1,924,244	1,670,055	30,000	0	224,189
SPAIN	8,963,991	8,963,991	0	0	0
SWEDEN	5,197,324	4,810,075	0	0	387,249
SWITZERLAND	5,072,471	5,072,471	0	0	0
UKRAINE	7,594,551	0	0	0	7,594,551
UNITED ARAB EMIRATES	925,956	279,843	0	0	646,113
UNITED KINGDOM	22,583,257	13,826,548	0	8,756,709	0
UNITED STATES OF AMERICA	97,918,236	82,050,367	5,926,110	0	9,941,759
UZBEKISTAN	669,925	0	0	0	669,925
TOTAL	392,960,425	250,215,760	7,237,142	40,869,535	94,637,988

TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1994
AS AT 14 DECEMBER 1994

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	2,633,990	2,567,190	58,860	0	7,940
AUSTRIA	1,308,273	0	0	0	1,308,273
BAHRAIN	0	0	0	0	0
BELARUS	837,295	0	0	0	837,295
BELGIUM	1,849,026	0	0	0	1,849,026
BRUNEI DARUSSALAM	0	0	0	0	0
BULGARIA	226,767	0	0	0	226,767
CANADA	5,424,973	0	0	0	5,424,973
CYPRUS	34,887	0	0	0	34,887
CZECH REPUBLIC	732,633	732,633	0	0	0
DENMARK	1,133,837	1,133,837	0	0	0
FINLAND	994,288	994,288	0	0	0
FRANCE	10,466,186	0	254,774	8,373,000	1,838,412
GERMANY	15,577,174	0	0	12,461,739	3,115,435
GREECE	610,528	1,242,673	0	0	(632,145)
HUNGARY	313,986	0	0	0	313,986
ICELAND	52,331	65,327	0	0	(12,996)
IRELAND	313,986	313,986	0	0	0
ISRAEL	401,204	401,204	0	0	0
ITALY	7,483,323	0	0	0	7,483,323
JAPAN	21,717,336	21,717,336	0	0	0
KOREA, REPUBLIC OF	1,203,611	0	0	0	1,203,611
KUWAIT	436,091	0	0	0	436,091
LIECHTENSTEIN	17,444	17,444	0	0	0
LUXEMBOURG	104,662	104,662	0	0	0
MALTA	0	0	0	0	0
MONACO	17,444	17,444	0	0	0
NETHERLANDS	2,616,547	0	0	0	2,616,547
NEW ZEALAND	418,647	418,647	0	0	0
NORWAY	959,400	767,505	0	0	191,895
PANAMA	5,638	16,915	0	0	(11,277)
POLAND	819,851	0	0	0	819,851
PORTUGAL	348,873	0	0	0	348,873
RUSSIAN FEDERATION	11,704,685	0	0	0	11,704,685
SAUDI ARABIA	1,674,590	0	0	0	1,674,590
SINGAPORE	209,324	136,000	40,000	0	33,324
SLOVAKIA	226,767	0	0	0	226,767
SOUTH AFRICA	715,189	461,000	30,000	0	224,189
SPAIN	3,453,841	3,453,841	0	0	0
SWEDEN	1,936,244	1,548,995	0	0	387,249
SWITZERLAND	1,936,244	1,936,244	0	0	0
UKRAINE	3,261,961	0	0	0	3,261,961
UNITED ARAB EMIRATES	366,317	0	0	0	366,317
UNITED KINGDOM	8,756,709	0	0	8,756,709	0
UNITED STATES OF AMERICA	37,916,667	25,610,908	2,364,000	0	9,941,759
UZBEKISTAN	453,535	0	0	0	453,535
TOTAL	151,672,304	63,658,079	2,747,634	29,591,448	55,675,143

TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1993
AS AT 14 DECEMBER 1994

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	2,011,867	2,007,550	4,317	0	0
AUSTRIA	999,272	625,456	0	0	373,816
BAHRAIN	39,971	0	0	0	39,971
BELARUS	639,534	0	0	0	639,534
BELGIUM	1,412,304	1,412,304	0	0	0
BRUNEI DARUSSALAM	14,127	0	0	0	14,127
BULGARIA	173,207	95,250	0	0	77,957
CANADA	4,143,646	3,310,313	833,333	0	0
CYPRUS	26,647	0	0	0	26,647
CZECH REPUBLIC	732,799	0	0	0	732,799
DENMARK	866,035	866,035	0	0	0
FINLAND	759,446	759,446	0	0	0
FRANCE	7,994,173	0	0	7,994,173	0
GERMANY	11,897,994	11,897,994	0	0	0
GREECE	466,327	466,327	0	0	0
HUNGARY	239,825	0	0	0	239,825
ICELAND	39,971	39,971	0	0	0
IRELAND	239,825	239,825	0	0	0
ISRAEL	306,443	306,443	0	0	0
ITALY	5,715,834	1,744,241	0	0	3,971,593
JAPAN	16,587,909	16,587,909	0	0	0
KOREA, REPUBLIC OF	919,330	0	0	0	919,330
KUWAIT	286,549	0	0	0	286,549
LIECHTENSTEIN	13,324	13,324	0	0	0
LUXEMBOURG	79,942	79,942	0	0	0
MALTA	13,324	13,324	0	0	0
MONACO	7,483	7,483	0	0	0
NETHERLANDS	1,998,543	1,998,543	0	0	0
NEW ZEALAND	319,767	319,767	0	0	0
NORWAY	732,799	732,799	0	0	0
PANAMA	0	0	0	0	0
POLAND	626,210	0	0	0	626,210
PORTUGAL	266,472	0	0	0	266,472
RUSSIAN FEDERATION	8,940,150	0	0	0	8,940,150
SAUDI ARABIA	756,928	0	0	0	756,928
SINGAPORE	159,883	127,907	31,976	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	546,268	546,268	0	0	0
SPAIN	2,638,077	2,638,077	0	0	0
SWEDEN	1,478,922	1,478,922	0	0	0
SWITZERLAND	1,545,540	1,545,540	0	0	0
UKRAINE	2,491,517	0	0	0	2,491,517
UNITED ARAB EMIRATES	279,796	0	0	0	279,796
UNITED KINGDOM	6,668,458	6,668,458	0	0	0
UNITED STATES OF AMERICA	28,334,903	26,921,793	1,413,110	0	0
UZBEKISTAN	216,390	0	0	0	216,390
TOTAL	114,627,731	83,451,211	2,282,736	7,994,173	20,899,611

TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1992
AS AT 14 DECEMBER 1994

PARTY	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	1,326,980	1,287,586	39,394	0	0
AUSTRIA	625,456	625,456	0	0	0
BAHRAIN	16,904	0	0	0	16,904
BELARUS	278,919	0	0	0	278,919
BELGIUM	988,896	988,896	0	0	0
BRUNEI DARUSSALAM	0	0	0	0	0
BULGARIA	126,782	126,782	0	0	0
CANADA	2,611,699	2,611,699	0	0	0
CYPRUS	0	0	0	0	0
CZECH REPUBLIC	557,839	139,445	0	0	418,394
DENMARK	583,195	583,195	0	0	0
FINLAND	431,057	431,057	0	0	0
FRANCE	5,282,564	1,998,650	0	3,283,914	0
GERMANY	7,911,167	7,892,789	18,378	0	0
GREECE	338,084	338,084	0	0	0
HUNGARY	177,494	0	0	0	177,494
ICELAND	25,356	25,356	0	0	0
IRELAND	152,138	152,138	0	0	0
ISRAEL	0	0	0	0	0
ITALY	3,372,389	3,372,389	0	0	0
JAPAN	9,618,492	9,618,492	0	0	0
KOREA, REPUBLIC OF	0	0	0	0	0
KUWAIT	0	0	0	0	0
LIECHTENSTEIN	8,452	8,452	0	0	0
LUXEMBOURG	50,713	50,713	0	0	0
MALTA	8,452	8,452	0	0	0
MONACO	0	0	0	0	0
NETHERLANDS	1,394,597	1,394,597	0	0	0
NEW ZEALAND	202,850	202,850	0	0	0
NORWAY	464,866	464,866	0	0	0
PANAMA	0	0	0	0	0
POLAND	473,318	473,318	0	0	0
PORTUGAL	152,138	0	0	0	152,138
RUSSIAN FEDERATION	8,443,650	0	0	0	8,443,650
SAUDI ARABIA	0	0	0	0	0
SINGAPORE	92,973	92,973	0	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	380,345	380,345	0	0	0
SPAIN	1,648,160	1,648,160	0	0	0
SWEDEN	1,022,704	1,022,704	0	0	0
SWITZERLAND	912,827	912,827	0	0	0
UKRAINE	1,056,513	0	0	0	1,056,513
UNITED ARAB EMIRATES	160,590	160,590	0	0	0
UNITED KINGDOM	4,107,721	4,107,721	0	0	0
UNITED STATES OF AMERICA	18,333,333	16,664,333	1,669,000	0	0
UZBEKISTAN	0	0	0	0	0
TOTAL	73,339,613	57,784,915	1,726,772	3,283,914	10,544,012

TRUST FUND FOR THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL
STATUS OF CONTRIBUTIONS FOR 1991
AS AT 14 DECEMBER 1994

	AGREED CONTRIBUTIONS (US \$)	CASH PAYMENTS (US \$)	BILATERAL ASSISTANCE (US \$)	PROMISSORY NOTES (US \$)	OUTSTANDING CONTRIBUTIONS (US \$)
AUSTRALIA	985,407	985,407	0	0	0
AUSTRIA	464,459	464,459	0	0	0
BAHRAIN	12,553	0	0	0	12,553
BELARUS	207,124	0	0	0	207,124
BELGIUM	734,348	734,348	0	0	0
BRUNEI DARUSSALAM	0	0	0	0	0
BULGARIA	0	0	0	0	0
CANADA	1,939,432	1,939,432	0	0	0
CYPRUS	0	0	0	0	0
CZECH REPUBLIC	0	0	0	0	0
DENMARK	433,077	433,077	0	0	0
FINLAND	320,100	320,100	0	0	0
FRANCE	3,922,799	3,922,799	0	0	0
GERMANY	5,874,784	5,874,784	0	0	0
GREECE	251,059	251,059	0	0	0
HUNGARY	131,806	0	0	0	131,806
ICELAND	18,829	18,829	0	0	0
IRELAND	112,977	112,977	0	0	0
ISRAEL	0	0	0	0	0
ITALY	2,504,315	2,504,315	0	0	0
JAPAN	7,142,633	7,142,633	0	0	0
KOREA, REPUBLIC OF	0	0	0	0	0
KUWAIT	0	0	0	0	0
LIECHTENSTEIN	6,276	6,276	0	0	0
LUXEMBOURG	37,659	37,659	0	0	0
MALTA	6,276	6,276	0	0	0
MONACO	0	0	0	0	0
NETHERLANDS	1,035,619	1,035,619	0	0	0
NEW ZEALAND	150,635	150,635	0	0	0
NORWAY	345,206	345,206	0	0	0
PANAMA	0	0	0	0	0
POLAND	0	0	0	0	0
PORTUGAL	112,977	0	0	0	112,977
RUSSIAN FEDERATION	6,270,202	0	0	0	6,270,202
SAUDI ARABIA	0	0	0	0	0
SINGAPORE	69,041	69,041	0	0	0
SLOVAKIA	0	0	0	0	0
SOUTH AFRICA	282,442	282,442	0	0	0
SPAIN	1,223,913	1,223,913	0	0	0
SWEDEN	759,454	759,454	0	0	0
SWITZERLAND	677,860	677,860	0	0	0
UKRAINE	784,560	0	0	0	784,560
UNITED ARAB EMIRATES	119,253	119,253	0	0	0
UNITED KINGDOM	3,050,369	3,050,369	0	0	0
UNITED STATES OF AMERICA	13,333,333	12,853,333	480,000	0	0
UZBEKISTAN	0	0	0	0	0
TOTAL	53,320,777	45,321,555	480,000	0	7,519,222

ANNEX II

REVISED 1994 AND 1995 BUDGETS OF THE FUND SECRETARIAT

(Report from the Treasurer)

In accordance with decision UNEP/OzL.Pro/ExCom/3/18/Rev.1, paragraph 72 of the Third Meeting of the Executive Committee, the Secretariat has prepared revised 1994 and 1995 budgets for the consideration and approval by the Executive Committee. It may be noted that the Eleventh Meeting of the Executive Committee had approved budgets for the Secretariat covering the years 1994, 1995 and 1996.

Revisions to the 1994 budget were made in order to provide additional allocation to cover the costs of the review study under paragraph 8 of Article 5 of the Montreal Protocol as per decision of the Executive Committee UNEP/OzL.Pro/ExCom/12/37 paragraphs 177 and 178 and to hold a meeting of the Executive Committee additionally to the three originally budgeted. The resultant effect is an increase of US \$559,732 to the 1994 approved budget.

The revision to the 1995 budget is in anticipation of having four meetings of the Executive Committee during the year and an allowance for meetings of the Sub-Committees. The increase in the budget over the approved one amounts to US \$184,000.

The approved 1996 budget is unchanged and is presented alongside to give the complete three year picture of the Secretariat budgets.

			1994	1995	1996
10 PROJECT PERSONNEL COMPONENT					
1100	Project personnel (Title and Grade)				
	1101	Chief Officer (D-2)	106,040	108,161	110,324
	1102	Deputy Chief (P-5)	85,680	87,394	89,141
	1103	Deputy Chief (P-5)	85,680	87,394	89,141
	1104	Programme Officer (P-3)	63,240	64,505	65,795
	1105	Programme Officer (P-3)	63,240	64,505	65,795
	1106	Programme Officer (P-3)	63,240	64,505	65,795
	1107	Programme Officer (P-3)	63,240	64,505	65,795
	1108	Information Officer (P-3)	63,240	64,505	65,795
	1109	Fund and Administration Officer (P-4)	71,400	72,826	74,285
	1199	Sub-total	665,000	678,300	691,866
1200	Consultants				
	1201	Consultancies (projects evaluation, etc.)	150,000	150,000	150,000
	1299	Sub-total	150,000	150,000	150,000
1300	Administrative support staff (Title and Grade)				
	1301	Administrative assistant (G-9)	43,860	44,737	45,632
	1302	Library assistant (G-7)	36,100	36,822	37,558
	1303	Senior Secretary to the Chief Officer (G-7)	39,780	40,576	41,387
	1304	Senior Secretary (Deputy Chief) (G-6)	33,660	34,333	35,020
	1305	Senior Secretary (Deputy Chief) (G-6)	33,660	34,333	35,020
	1306	Senior Secretary (for 2 Programme Officers) (G-6)	33,660	34,333	35,020
	1307	Senior Secretary (for 2 Programme Officers) (G-6)	33,660	34,333	35,020
	1308	Secretary (G-5)	31,620	32,253	32,897
	1309	Clerk/Messenger/Receptionist (G-4)	25,500	26,010	26,530
	1301 - 09 Administrative support staff sub-total		311,500	317,730	324,084

		1994	1995	1996
1320	Conference Servicing Costs			
	1321	12th Executive Committee Meeting	90,000	0
	1322	13th Executive Committee Meeting	90,000	0
	1323	14th Executive Committee Meeting	90,000	0
	1324	15th Executive Committee Meeting	90,000	0
	1325	16th Executive Committee Meeting	0	90,000
	1326	17th Executive Committee Meeting	0	90,000
	1327	18th Executive Committee Meeting	0	90,000
	1328	19th Executive Committee Meeting	0	90,000
	1329	20th Executive Committee Meeting	0	0
	1330	21st Executive Committee Meeting	0	90,000
	1331	22nd Executive Committee Meeting	0	90,000
	1332	Sub-Committee meetings	20,000	20,000
	1321 - 31 Conference servicing costs sub-total		380,000	380,000
	1399	Sub-total	691,500	697,730
1600	Official travel on business			
	1601	Staff travel on official business	120,000	120,000
	1699	Sub-total	120,000	120,000
1999	Component total		1,626,500	1,646,030
20	SUB-CONTRACTS COMPONENT			
2100	Sub-contracts with UN agencies			
	2101	Sub-contracts (information materials)	30,000	30,000
	2199	Sub-total	30,000	30,000
2300	Sub-contracts with profit making institutions			
	2301	Sub-contract (paragraph 8 article 5)	347,910	0
	2399	Sub-total	347,910	0
2999	Component total		377,910	30,000

30	MEETING PARTICIPATION COMPONENT		1994	1995	1996
3300	Participation in meetings/conferences				
	3301	(Chairman/Vice Chairman	30,000	30,000	30,000
	3302	12th Executive Committee meeting	75,000	0	0
	3303	13th Executive Committee meeting	75,000	0	0
	3304	14th Executive Committee meeting	75,000	0	0
	3305	15th Executive Committee meeting	75,000	0	0
	3306	16th Executive Committee meeting	0	75,000	0
	3307	17th Executive Committee meeting	0	75,000	0
	3308	18th Executive Committee meeting	0	75,000	0
	3309	19th Executive Committee meeting	0	75,000	0
	3310	20th Executive Committee meeting	0	0	75,000
	3311	21st Executive Committee meeting	0	0	75,000
	3312	22nd Executive Committee meeting	0	0	75,000
	3313	Sub-Committee meetings	67,822	40,000	21,000
	3399	Sub-total	397,822	370,000	276,000
	3999	Component total	397,822	370,000	276,000
40	EQUIPMENT AND PREMISES COMPONENT				
4100	Expendable equipment (items under US\$1,500)				
	4101	Office supplies	10,000	10,000	10,000
	4102	Software and computer expendables	3,000	3,000	3,000
	4199	Sub-total	13,000	13,000	13,000
4200	Non-expendable equipment				
	4205	General non-expendable equipment	3,000	3,000	3,000
	4299	Sub-total	3,000	3,000	3,000
4300	Rental of premises				
	4301	Rental of office premises	409,000	490,000	490,000
	4399	Sub-total	409,000	490,000	490,000
	4999	Component total	425,000	506,000	506,000

		1994	1995	1996
50	MISCELLANEOUS COMPONENT			
5100	Operation and maintenance of equipment			
	5101 Maintenance of equipment	7,000	7,000	7,000
	5102 Maintenance of offices	5,000	5,000	5,000
	5103 Rental of computer equipment	5,000	5,000	5,000
	5104 Rental of photocopier(s)	14,000	6,000	6,000
	5105 Rental of telecommunication equipment	15,000	9,000	9,000
	5199 Sub-total	46,000	32,000	32,000
5200	Reporting costs			
	5201 Executive Committee meetings reporting	45,000	45,000	45,000
	5202 Reporting (others)	20,000	20,000	20,000
	5299 Sub-total	65,000	65,000	65,000
5300	Sundry			
	5301 Communications	30,000	30,000	30,000
	5302 Freight charges (documents shipment)	20,000	20,000	20,000
	5303 Others	5,000	5,000	5,000
	5399 Sub-total	55,000	55,000	55,000
5400	Hospitality			
	5401 Hospitality	7,000	7,000	7,000
	5499 Sub-total	7,000	7,000	7,000
	5999 Component total	173,000	159,000	159,000
99	TOTAL	3,000,232	2,711,030	2,546,950
	Programme support costs	126,945	129,484	132,074
	Less Cost to the Government of Canada	(650,000)	(650,000)	(650,000)
	COST TO THE MULTILATERAL FUND	2,477,177	2,190,514	2,029,024

ANNEX III

TERMS OF REFERENCE FOR AN EXPERT GROUP ON THE PRODUCTION OF SUBSTITUTES FOR OZONE-DEPLETING SUBSTANCES

Introduction

1. At its Twelfth Meeting, the Executive Committee reviewed a project submitted by the World Bank on behalf of the Government of China for the conversion of the production of CFC-12 to HCFC-22 at Shanghai Chlor-Alkali Chemical Co. While giving permission to proceed with the project, the Executive Committee withheld the final approval of the project until a general policy guideline and a credible methodology for calculating costs in production projects could be established. As part of the decision, the Committee requested:

"... the Secretariat to convene a group composed of experts on process engineering related to the production of ODS substitutes and financial experts to consider issues associated with the calculation of incremental costs in the production of ODS substitutes. The Secretariat would request the participation of the representatives of implementing agencies and experts from developed and developing countries as deemed appropriate. The group would strive where possible to identify specific areas that should be considered by the Executive Committee before approving production projects and to recommend potential solutions that could usefully inform the Executive Committee's consideration." (UNEP/OzL.Pro/ExCom/12/37, paragraph 109).

2. Since the conclusion of the Twelfth Meeting in Montreal in March 1994, the Fund Secretariat has been conducting consultations with experts from both Article 5 and non-Article 5 countries and implementing agencies in order to establish the terms of reference of the Group. As part of this effort, a brain-storming exercise was undertaken by the Secretariat with a panel of experts on 28 October 1994 in Montreal. This panel was composed of experts from both Article 5 and non-Article 5 country industries and represented a mix of experience of process engineering both in research and development and production, technology transfer between technology suppliers and developing countries and marketing and business.

3. The meeting identified and reviewed a wide range of issues regarding production of substitutes, the estimation of capital and operating costs and potential policy guidelines needed on these issues. On that basis the meeting provided provisional guidelines regarding the composition, functions and responsibilities, and modalities of operation of the Expert Group to be established.

4. Based on the discussion of this Panel and on its prior consultations, the Secretariat submits hereby the draft terms of reference of this Expert Group.

Title and Status

5. The title of this group is Expert Group on the Production of Substitutes for Ozone-Depleting Substances.

6. The Group would have an advisory status with the Executive Committee. It may attend the Meetings of the Executive Committee or a future production sector sub-committee if so requested by the Committee.

Functions and Responsibilities

7. This Expert Group would:

- (a) Advise on operational policies and guidelines on various technical and economic issues associated with the production of substitutes for ozone-depleting substances (ODS). In formulating such advice, consideration should be given to non-global warming alternatives, wherever possible.

Some of these issues are identified in the preliminary list of issues to be reviewed and deliberated upon by the Expert Group as included in Appendix A. However, this is not an exclusive list.

- (b) Draft the terms of reference for an audit of the ODS producing industries in each of the ODS producing Article 5 countries.

The purpose of such an audit is to examine:

- the structure and status of the existing plants;
- the current technologies applied;
- the likely conversion paths, taking into consideration the countries' strategies for phasing out ODS, the industrial policy of the country, the economies of scale and the market development; and
- estimate at national level a minimum the country should receive as incremental capital and operating costs to convert/close all of its existing ODS producing industries.

The end product from this audit will serve as the framework against which the Executive Committee will review production sector projects from that country.

- (c) Advise on any other issues in the production sector as may be requested by the Executive Committee.

Composition of the Group

8. Fields of expertise required:

- Chemical engineering, with emphasis on process engineering in fluorochemical industry and not-in-kind substitutes such as high purity hydrocarbons and ammonia;
- Technology transfer with background in fluorocarbon and chlorofluorocarbon production; and
- Knowledge in ODS and substitute production and marketing.

9. Principles in selecting membership

Bearing in mind that this is an Expert Group established for a very specialized subject, the following principles are proposed to be followed in selecting the membership:

- Members of the Group serve on the Group in their own capacity and not as representatives of the organizations they belong to;
- Technical and professional expertise;
- Balance between Article 5 and non-Article 5 countries with due regard for geographical representation; and
- Independence of the individuals.

Size of the Group

10. For effective conduct of business, it is proposed to limit the size of the Expert Group to ten members.

Modality of the Operation of the Group

11. The Group will work closely with the Fund Secretariat. The Chief Officer will be the contact point between the Group and the Executive Committee, and is responsible for providing Secretariat assistance to the Group in conducting its business. Meetings of the Group will be attended by representatives of the relevant implementing agencies that are likely to be involved in production sector projects.

Confidentiality

12. The proceedings and the report of the meetings of the Expert Group remain confidential until they are cleared by the Group and presented to the Executive Committee.

APPENDIX A

PRELIMINARY LIST OF ISSUES TO BE REVIEWED BY THE EXPERT GROUP

Types of anticipated projects

1. Conversion or partial conversion of existing CFC-11/12 manufacturing facilities to produce substitutes: e.g. HFCs (HFC-134a, HFC-152a), hydrocarbons (cyclopentane, iso-butane, etc.) ammonia, HCFCs.
2. Shut down of equivalent ODS production capacities.
3. Production of halon substitutes (e.g. ABC powder, CO₂, nitrogen).
4. Shut down of equivalent halon production facilities.
5. Establishing production facilities for the processing, production, storage or distribution of nonfluorocarbons, e.g. high purity hydrocarbons and ammonia.
6. Enforced idleness of ODS plants.

Policy issues that are likely to be encountered

1. Technology transfer
 - (a) Availability of technologies to Article 5 countries;
 - (b) Terms and conditions of technology transfer from non-Article 5 country suppliers
 - Patents, know-how (cost)
 - Transfer to one enterprise, group of enterprises, or to the country
 - Modalities of licence payment, lump-sum, royalties, etc.
 - (c) Development of indigenous technology
 - Feasibilities
 - Scope of support from the Fund
 - Timing
 - Intellectual property rights
 - Cost effectiveness.

2. Incremental costs

(a) Conversion and establishment of new production facilities

- (i) What would be the baseline scenario?
- (ii) What would be the capital costs?
- (iii) What would be the operating costs?
 - Duration
 - Savings and benefits
 - Future revenues (and future price and sales estimate)
 - Designed or utilized capacities, growth projection.
- (iv) Double counting
 - Linkage with consumer sector in the country
 - Export potential to Article 5 vs. non-Article 5 countries
 - Certain costs which could be incurred in the shut-down of the old plant can be balanced at the stage when the new plant is constructed (e.g. unemployment insurance and foregone profits).
- (v) Project lifetime to be used as the basis for calculation.
- (vi) Production vs. imports (cost effectiveness, tariffs).
- (vii) Preferential exports from Article 5 countries vs. savings to the Multilateral Fund.
- (viii) Economies of scale: size of plants and project specific vs sector phase out plans.

(b) Shut down of ODS production facilities

- (i) Remaining useful life
- (ii) Computation of profit foregone
- (iii) Social benefits
- (iv) Production capacity vs actual production and replacement of specific chemicals

3. Modernization and expansion of production
 - How to measure direct (increased output) and indirect benefits (environmental, socio-environmental)?
4. Choice of technology.
5. Possibility of developing cost norms on the basis of type of technology employed.
6. Other issues:
 - (a) Eligibility of funding raw material and feedstock production
 - Shut down of CTC plants
 - New chlorinated solvents production facilities
 - Production of raw material vs. import (cost effectiveness, safety concerns).
 - (b) Eligibility of funding production of chemicals and materials indirectly involved in ODS phase-out (optional)
 - e.g. Polyols for foam-blowing, polyalkylene glycol and polyester lubricants
 - Production vs. import.