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EXECUTIVE COMMITTEE
OF THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-seventh Meeting
Montreal, 24-26 March 1999

Addendum

PRODUCTION SECTOR

Part I: Report of the Executive Committee's Subgroup on the Production Sector

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1. In accordance with its report to the 26th meeting of the Executive Committee, the Subgroup on the Production Sector held its 8th meeting on 13 January 1999 in Paris and its 9th meeting on 21 March 1999 in Montreal. The meeting in January was attended by representatives from Canada, China, India, Italy and the United States. The meeting in March was attended by Brazil, Canada, China, India, Italy and the United States. Both meetings were also attended by the Secretariat of the Multilateral Fund and the World Bank. Canada continued to act as Facilitator of the Subgroup's work and meetings for this period.
2. The Subgroup's report highlights the progress and milestones achieved by the Subgroup and presents specific recommendations for the approval of the Executive Committee regarding the production sector in China.
3. At its January 1999 meeting the Subgroup heard presentations from the consultant retained to conduct the technical audits for China and India and from the World Bank on the China and India proposals. A number of issues related to the data contained in the technical audit reports were raised and discussed at the meeting. Some issues received an explanation from the consultant while others required further investigation and a possible review of results. The Subgroup requested that the consultant examine some issues in both technical reports for India and China. It was agreed that there would be no endorsement of the technical audits reports by the Subgroup and that the reports would be used as a reference document. Outstanding comments or issues on the reports could be sent to the Secretariat and Subgroup and would be kept on record along with the technical audit reports. The work of the consultant on the technical audits for China and India is now completed.
4. The Subgroup also agreed on an approach to its work leading to the 27th meeting of the Executive Committee, as follows: China and India could submit their respective project proposals and Canada-Italy-United States would prepare draft agreements using as a basis the project proposals, the Draft Guide on Funding Closures (including Gradual Closures) of ODS Producing Plants and the technical audits reports. The Subgroup also agreed that in order to advance the deliberations on the two proposals and increase the possibility of bringing consensus agreements to the next Executive Committee, it would be useful to hold informal bilateral meetings on the respective sector proposals. Accordingly, Canada, China and the United States met in Washington on 9 March 1999 and Canada, India and the United States met in Montreal on 20 March 1999.
5. The Subgroup at its 9th meeting in Montreal, considered the draft agreement for the production sector in China and the outstanding issues regarding a potential agreement for India's production sector. The status of work on India's production sector is as follows: two documents have been tabled with the subgroup and are included in the documentation for this Executive Committee meeting (UNEP/OzL.Pro/ExCom/27/45 Part II (c) and Part IV). Recognizing the significant work undertaken during the year in the reporting of data, conduct of technical audits, preparation of a project proposal and draft agreement, and notwithstanding the considerable

in-country work and many discussions of Subgroup members, the Subgroup did not reach consensus on a production sector proposal for India.

6. With respect to the closure of the production sector in China, the Subgroup is pleased to report that it has reached agreement. Accordingly, the Subgroup would like to recommend the approval of the Proposed Agreement for the China Production Sector. (UNEP/OzL.Pro/ExCom/27/45/Corr.2). This Proposed Agreement is the culmination of several years of work by Executive Committee members, the World Bank, the Multilateral Fund Secretariat and other contributing parties. Particularly worthy of mention are the present and past members, particularly, Mr. David Clare, who were determined to see this complex issue come to a successful conclusion. All should be thanked for their efforts and collaboration.

7. The Subgroup also recommends that the Executive Committee mandate the Sub-Committee on Project Review to monitor, through the submission of annual work programmes and funding requests, the implementation of the Proposed Agreement for the China Production Sector in accordance with its terms and report to the Executive Committee any discrepancies.

8. The Subgroup would like to remind members of the Executive Committee that during the course of its meetings in 1997 and 1998, the Committee adopted several decisions which outline the process to be followed in response to requests for compensation of production sector/enterprises closure (e.g. submission of country data, sector plans, technical audits, preparation of project proposals). In order to ensure the consideration of such requests by the Subgroup, the Subgroup recommends that the Executive Committee request Parties to send such requests to the Secretariat and that the Secretariat advise the Subgroup of such requests as well as advise the requesting Party of the established process and relevant decisions of the Executive Committee.

9. The Subgroup was informed by the representative from India, that a proposal requesting project preparation funds for CTC production closure in the People's Democratic Republic of Korea had been received and was given to the Secretariat.

10. The Subgroup has agreed, consistent with its mandate, that it will reconvene on the basis of need and progress achieved on the outstanding discussions.