



**United Nations
Environment
Programme**



Distr.
LIMITED

UNEP/OzL.Pro/ExCom/26/66
12 November 1998

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-sixth Meeting
Cairo, 11-13 November 1998

**REPORT OF THE SEVENTH MEETING OF THE SUBGROUP ON THE
PRODUCTION SECTOR**

1. The Subgroup on the Production Sector held its 7th Meeting on the evenings of 9 and 10 November 1998, in Cairo, in between the meetings of the Sub-Committees of the 26th Executive Committee meeting. The meeting was facilitated by Canada and attended by representatives of Canada, China, Costa Rica, India, Italy and the United States of America. Also present at the meeting were representatives from the Fund Secretariat and Dr. Wakim, the consultant contracted by the Secretariat to conduct the technical audits of the CFC production facilities in China and India. Representatives from the World Bank, the agency that submitted the project for China and that is in the process of preparing the project for India, were also invited to attend as observers.
2. During its meeting, the Subgroup decided to consider several matters, including a mid term progress report on the status of technical audits of the production sector in China and India, the draft proposal by the World Bank on the closure of the production sector in China, and the next steps and organization of the Subgroup's work for 1999.
3. In accordance with the request made at the 25th Meeting of Executive Committee, the Subgroup received a mid term progress report on the technical audits in China and India by the Secretariat and Dr. Wakim. The Subgroup thanked the Secretariat and the consultant for their efforts in bringing the mid term progress report to the Subgroup for this meeting. The Subgroup also thanked China and India for their collaboration with the consultant and his team.
3. Based on a 90-page written mid-term progress report distributed a few days prior to the meeting, Dr. Wakim presented the process which his team had followed, information on the number of plants visited in the two countries (30 of the 36 plants in China and 4 plants in India), selected national macroeconomic data and the methodology used in collecting and corroborating data. While the mid-term report contains a great deal of information, some additional data is outstanding from the two countries. Once this process is complete, the consultant indicated that he expected to complete the required audit work and submit the final report by December 15 1998, subject to the provision of data/ information by the countries on the format to be provided by the consultant.
5. Following the presentation, extensive questions and answers took place between the Subgroup members and the consultant. While the discussion covered a wide range of technical and economic details contained within the mid-term progress report, it focussed on the methodology of data collection and corroboration. It was acknowledged that the approach meets the terms of reference for the technical audit and is expected to provide valuable information.
6. The Subgroup further confirmed the next steps to be undertaken by the consultant and his team to conclude the two separate technical audit reports for China and India. It was clarified that until the finalization of the technical audit report, the Secretariat should be the point of contact between the consultant and interested Subgroup members and/or

the World Bank on any requests related to specific information contained in the mid term progress report.

7. The Sub-Group also took note of the progress achieved by India, its readiness to begin project preparation, with the help of the World Bank, for the production sector, and its desire to submit its proposal early in 1999.

8. The second item for the Subgroup's deliberation concerned the draft proposal from China. The Subgroup thanked China and the World Bank for their efforts in preparing a first draft proposal for the closure of the CFC production sector in China. In addition to the three months data, China will provide the consultant with the necessary information to complete the report. Considering that the final report from the technical audit for China is expected to be completed and available to the Subgroup members by mid-December 1998, the Subgroup requested that the World Bank and China revise the draft proposal, taking into consideration the data and findings from the technical audit. The Subgroup agreed that it would be prepared to consider the revised draft in more detail at its next meeting.

9. In addition, the Subgroup discussed what next steps were required to ensure progress on the production sector and how it would organize its work in the first part of 1999. Recognizing the importance of reducing global ODS production in order to meet Montreal Protocol commitments, and given the extraordinary amount of work and the long deliberations of the Subgroup members on the matter of compensation for the production sector over the past two years, the Subgroup recommends that the Executive Committee approve the following, in order to expedite the conclusion of the work for this sector:

- (a) to expand the Subgroup's mandate to include discussions on actual project proposals and formulation of recommendations on projects relating to the closure of ODS production sector facilities in order that the Subgroup may bring its recommendations on projects directly to the Executive Committee for its consideration;
- (b) to request that the Secretariat retain the services of the technical audit consultant, following the completion of the technical audit report, for an additional mandate to assist the Subgroup in its deliberations on projects during the first part of 1999. The terms of reference covering the services of the technical audit consultant will be drafted in due course by the Subgroup, following the completion of the technical audit report.

By expanding the mandate of the Subgroup, the Executive Committee will ensure that project proposals not only receive due consideration by knowledgeable members, but also ensure that the Executive Committee can consider and approve closure projects with the least amount of delay possible.

10. The Subgroup agreed that if sufficient progress was achieved in the preparation of project proposals and that documentation could be made available prior to its next

proposed meeting, it would hold a one-day session in conjunction with the UNEP planning meeting scheduled for mid-January 1999 in Paris. A second option would be to meet on the margins of the 27th meeting of the Executive Committee to consider such proposals. The Secretariat was requested to provide a grace period, if necessary, to allow projects to be submitted by no later than the end of January.

11. Finally, the Executive Committee may have to consider replacement Subgroup members next year. In any event, countries and implementing agencies submitting projects should be invited, at the Subgroup's discretion, to attend Subgroup meetings.