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

Nineteenth Meeting
Montreal, 8-10 May 1996

**RE-EXAMINATION OF GUIDELINES
FOR HALON FIRE EXTINGUISHER CONVERSION PROJECTS**

BACKGROUND AND DISCUSSION

1. At its 18th Meeting, the Executive Committee decided that the halon fire extinguisher conversion projects submitted by China should be deferred pending re-examination of the guidelines for the sub-sector. Discussion on these projects between the Secretariat and the implementing agencies was to continue prior to the 19th Meeting and would include any changes to the guidelines which may seem necessary (Decision 18/4). In Decision 18/10 the Executive Committee requested the implementing agencies to provide an itemization of all miscellaneous and capital costs (para. 2 of Annex V to the Report of the 18th Meeting, UNEP/OzL.Pro/ExCom/18/75).
2. In regard to China, relevant agencies and the Secretariat agreed that it would be appropriate for the current halon fire-extinguisher project in China to be brought forward for consideration in the context of the country's sectoral strategy, when that became available.
3. In regard to the guidelines, the implementing agencies and the Fund Secretariat agreed that the existing provisions of the guidelines are well balanced and do not need to be changed (as indicated by the satisfactory consideration and approval of five projects from four countries using the guidelines).
4. However it was also agreed that there is a significant omission as, at present, the guidelines presently do not address capital costs in any way. The conclusion was that this ought to be remedied, possibly by reference to a standardized approach for formulation of eligible capital costs in projects in this sub-sector. Such an approach could be used to guide the development of individual projects and countries' sectoral strategies.
5. The implementing agencies and the Fund Secretariat agreed that further work was needed to define and quantify eligible capital and operating costs, as experts' views currently appeared to diverge, particularly on capital costs. A meeting of relevant experts is to be arranged to resolve these issues, following which the agencies and the Secretariat would formulate a proposal for an addition to the guidelines.

RECOMMENDATION

6. The Secretariat recommends that the Executive Committee note that:
 - (a) halon fire extinguisher conversion projects in China will be presented to the Executive Committee in the context of China's strategy for this sub-sector;
 - (b) there is no need at present to amend any of the existing provisions of the guidelines for halon fire extinguisher conversion projects; and
 - (c) the Fund Secretariat and the implementing agencies will develop a joint paper proposing an addition to the guidelines to address capital and operating costs.