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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventieth Meeting
Bangkok, 1-5 July 2013

Addendum

PROJECT PROPOSAL: INDIA

This document is issued to:

- **Add** paragraph 19(bis) as follows:

19 (bis). Subsequent to the release of document UNEP/OzL.Pro/ExCom/70/34, the Secretariat received information from the World Bank helping to clarify further the work plan submitted to this meeting and described in paragraphs 4 to 7 of the document. The Secretariat would like to provide the Executive Committee with the following comments and clarifications on the work plan:

- (a) The World Bank has submitted a further revised version of the work plan, as compared to the different versions of the plan submitted to previous meetings. The activities now focus on the continued operation of the PMU, but also foresee a number of activities mainly related for sustaining CTC phase-out for small users and enforcing the use of CTC produced exclusively for feedstock. The very widespread nature of former CTC use in India principally justifies such an undertaking, despite the fact that the phase-out plan had implemented an exemplary and extensive awareness, research and training campaign for small-scale CTC users. The Secretariat therefore considers the related components to be as such eligible, and being closely related to the phase-out of CTC stipulated in the Agreement. Similarly, the funds for a publication can in the view of the Secretariat be considered to be eligible as such. However, given the overall status of CTC consumption in India and the phase-out sustained for three years, there appears little need for Multilateral Fund supported activities. The Secretariat informed the World Bank of this view, and the World Bank responded that the submission “is in line with the Agreement between India and the ExCom for the phase-out in the consumption and production of CTC, that “any remaining funds provided to India pursuant to this agreement may be used in any manner that the country believes will achieve the smoothest and most efficient CTC phase-out.” The agreement also includes a provision that “the funding components of this agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption/ production sector projects or any other related activities in the country”;

- (b) The Secretariat noted the remaining balance of funding available at the World Bank of US \$696,874 according to the progress report, and that the funding appeared to be fully obligated (see also Table 3 of document UNEP/OzL.Pro/ExCom/70/34). The World Bank is the implementing agency responsible for the funding of the PMU and of related, overarching activities as contained in the work plan. The Secretariat advised the World Bank of these observations, and was informed that, indeed, the work plan submitted “refers exclusively to the funds available at the World Bank”. The Secretariat was further advised that “the estimate of US \$1,040,736 available for technical assistance activities [...] is based on the latest detailed analysis and reconciliation of funds available for the project based on the latest mission and review of financial statements with the financial intermediary”. According to the World Bank, “the reason the balance of US \$1.04 million for approval is higher than that reported under the 2012 progress report is that US \$230,000, which was committed to the consumption sector, is now available due to one enterprise having been ruled ineligible and three others having failed to meet the conditions to allow release of their final payment”;
- (c) Based on advice by the Secretariat on the remaining balances of the different implementing agencies, and in reply to a related question, the World Bank advised that all remaining activities under the CTC phase-out plan for India are specified in the work plan. From the Secretariat’s perspective, no additional activities will be related to the balances with the Government of Japan as bilateral implementing agency and with UNIDO, and the balances should be returned shortly, independent of any decision the Executive Committee might take on the work plan submitted by the World Bank;
- (d) The Secretariat observed that the funding proposed for on-going PMU management until the end of 2013 appeared to be substantial in relation to the remaining implementation time. The World Bank advised that the work plan presented in this document has been submitted to a number of previous meetings, but had not been approved due to different issues requiring more discussion. However, the work of the PMU had to continue, and related expenditures occurred even without a work plan having been approved; as an activity, support of the PMU has actually repeatedly been approved in every work plan previously submitted. The World Bank is requesting US \$280,000 to cover expenditures related to the PMU, of which about US \$200,000 is meant to cover expenses already incurred and those remaining until the grant agreement expires at the end of 2013;
- (e) The Secretariat would like to raise a number of issues on the concept of funding a PMU related to CTC phase-out beyond 2013 and the procedure proposed by the World Bank:
- (i) Funding is requested for the specific task of sustaining a PMU well beyond the finalisation of phase-out activities and the phase-out date of the substance to allow for oversight and reporting. The Secretariat recognises that CTC is a by-product of the production of chloroform, being in turn a precursory product for HCFC-22 and polytetrafluoroethylene (PTFE); consequently, its production is not avoidable, and will likely continue in substantial quantities, implying a long-term need for the Government to monitor production and subsequent feedstock use or destruction; in that, CTC differs from a number of other substances controlled under the Montreal Protocol. The phase-out plan and the activities proposed as a work plan for the remainder of the year provide for the tools necessary to secure oversight and reporting (computer programmes, etc.); previous versions of the work plan have also contained a number of other activities simplifying monitoring that were subsequently removed by the World Bank and the Government of India. This leads the Secretariat to understand that all support the country might need to facilitate and simplify the task of future

monitoring such as infrastructure, studies or additional monitoring systems, have been thoroughly discussed and addressed by the work plan submitted. The Multilateral Fund, through institutional strengthening support, is funding the necessary data collection for country programme implementation and Article 7 data reporting. It might be considered double funding if continued support would be provided to the Government of India to monitor CTC production and use, in addition to the existing institutional strengthening funding. The World Bank advised that “CTC monitoring and reporting is a specialised activity. In the India context these activities have always been undertaken by the [...] PMU and this does not therefore constitute duplication of effort”;

- (ii) Even if these funds would not be considered double funding, remaining questions relate to how long such funding should be provided; at what rate they should be provided; and what type of oversight would be necessary. The Secretariat sought related clarifications, and was informed that “the expenditures to be covered are for personnel and operating expenses of the PMU, including travel related to monitoring and oversight of the CTC control arrangements in place – representing approximately \$10,000 per month. The funding envisaged would cover these costs for approximately 2.5 years”. The World Bank further advised that details on reporting “could be discussed during the ExCom meeting, based on the way forward that is agreed, which would inevitably include consideration of reporting on the use of the funds when they are exhausted”;
- (iii) The approach suggested by the World Bank on how to manage the funding is based on one the Executive Committee had agreed in decision 56/13 for three sectors in China, namely for the foam, halon and CFC production sector plans, in order to allow for implementation beyond the end of the agreements, using simplified procedures:
 - a. The Secretariat observed that the World Bank chose as an implementation modality a grant agreement with a defined end date (December 2013), accepted by the Government of India. The proposal of the Bank effectively transfers responsibility for the oversight of funds for the remaining implementation (funding of continued operation of a PMU) to the Secretariat. There are a number of possible alternatives to the proposed way forward, among them first and foremost returning the funds. Alternatively, negotiating a new grant agreement between the Government of India and the World Bank, or transferring the implementation to another agency are other possible approaches; the latter approach had been undertaken by the Bank and accepted by the Executive Committee for phase-out plans in Chile, Ecuador and Tunisia. All three alternatives mentioned are in line with the established roles and responsibilities of the different stakeholders, while the approach suggested by the World Bank is more problematic. The Secretariat asked the Bank for its view on these considerations, and was informed that they “have not been requested by the Government of India to approach other agencies at this point. However we are fully open to considering alternative options that would be acceptable to the Government of India and members of the Executive Committee. Such alternative options in fact could be discussed and agreed in principle even at the time of the 70th meeting, or there would be time in any event to consider such approach before the last meeting of the Committee in 2013”;

- b. The simplified procedures defined in decision 56/13 provide for independent audits to continue, and that financial audit reports would be submitted to the Executive Committee on an annual basis from 2009. The World Bank would facilitate the review and submission of any adjustments to the work plans and financial audit reports to the Executive Committee. The Secretariat received verifications of phase-out by the World Bank for submission to the 65th meeting. The Government of China, through the World Bank, also submitted to the 65th meeting documentation consisting of statements on the status of remaining funds for each tranche approved, for each of the related sectors, as well as a sheet “balance of accounts” describing income and expenditures of all phase-out plans implemented by the World Bank. No details were provided about the activities funded. The figures in the documentation submitted suggest that more financial reporting would have to come forward before the funds would be exhausted. As of to date no more reports have reached the Secretariat (see also the related information in document UNEP/OzL.Pro/ExCom/65/10);
 - c. In retrospect, it becomes obvious that the responsibilities of the different stakeholders (Government, implementing agency, Secretariat) and their respective terms of reference are not facilitating the success of such an approach for continued monitoring. The approach undertaken through decision 56/13 leads to the World Bank having no more reporting obligation on the funds and their use, the Executive Committee having no means for receiving a detailed assessment or recourse if needed, and to the Secretariat possibly being expected to undertake a review of a government’s activities and expenditures based on the government’s own report, accounting rules and purchasing regulations, an undertaking for which the Secretariat sees itself neither experienced, mandated, equipped nor organisationally set-up; and
 - d. In the view of the Secretariat’s experience gained in the approach undertaken with the projects in China it does not support the continued use of the same or a similar approach. Alternatives are available and have been used, in particular the transfer of both funds and responsibility to another implementing agency.
- **Add** sub-paragraphs 21(d) to (g) as follows:

Or
 - (d) Consider approving some or all of the proposed activities in the work plan for the CTC phase-out in India, in light of the comments and information provided;
 - (e) Consider requesting the World Bank to transfer funds deemed necessary to continue operation of the Project Management Unit for monitoring purposes beyond the year 2013 to another implementing agency;
 - (f) Request the Government of Japan, as bilateral agency, as well as UNIDO not to incur any new commitments and to return, by the end of 2013, the fund balances; and

- (g) Request a specific report including separate reports on on-going activities and activities completed since the 70th meeting, associated expenditures, remaining balances, obligations and schedule for completion from the World Bank, UNIDO and the Government of Japan as bilateral agency concerning their respective activities, as well as a summary, to be submitted by the World Bank as lead agency eight weeks prior to the last meeting in 2014.
