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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-seventh Meeting
Montreal, 17-19 July 2002

Addendum

PROJECT PROPOSALS: INDIA

This Addendum is issued to report the conclusions of discussions between the Secretariat and UNDP which took place subsequent to dispatch of documentation to the Executive Committee:

Foam sector

- Sectoral phase-out plan for elimination of CFCs in the foam sector UNDP

Add on page 2, project evaluation sheet, the following footnote to the table:

“The enterprise consumption of 639 ODP tonnes of CFC represents the total remaining CFC in the sector, including 28 ODP tonnes ineligible for funding. The project impact resulting from the use of HCFC-141b by the enterprises eligible for funding is 587.8 ODP tonnes.”

Add, on page 11, after paragraph 26, new paragraphs 26(bis) and 26(ter):

26(bis) Subsequent to dispatch of documentation, the Secretariat received correspondence from UNDP which stated that the Government of India had agreed to the cost of the investment component of the sector plan as calculated by the Secretariat, but requested a total amount of US \$330,000 including 10% contingency for policy and management support instead of US \$150,000 proposed by the Secretariat, in view of the volume and geographical scope of the activities involved in the plan. The Government also had provided additional clarification and justification for its request for assistance to six system house enterprises identified in the

plan - Industrial Foams, Organometalic Industries, Paradigm Polyplas, Pine Resins and Chemicals, Sinnar Ureplas and Tandy Innovative Chemicals. It stated inter alia that technical support is being requested for the six systems house enterprises to ensure timely completion of CFC phase-out by the downstream enterprises and also to ensure that the CFC phase-out by those enterprises is sustained through unavailability of CFC-based systems at competitive prices. Following a review of similar projects previously approved for India, UNDP agreed to reduce the cost of the systems house component from US \$891,000 to US \$371,000. UNDP also agreed not to include contingency in the management support cost.

26(ter) Consequently, the agreed cost of the India Foam Sector Plan is US \$5,424,577 with the following breakdown.

Investment costs:	US \$4,753,577	(includes 10% contingency)
Policy and Management Support:	US \$300,000	
Support for System Houses	US \$371,000	(includes 10% contingency)
Total:	US \$5,424,577	

On the basis of the above agreed amounts and a request made by the Government of India for flexibility in the application of the requested amount of US \$5,424,577, the attached draft agreement has been prepared for consideration by the Executive Committee. The draft agreement includes a disbursement schedule as well as CFC phase-out targets.

Add, on page 11, the following recommendations.

RECOMMENDATIONS

27. The Sectoral Phase-out Plan for the elimination of CFCs in the foam sector in India is submitted for individual consideration. The Executive Committee may wish to consider the Plan and the accompanying draft agreement against the background of the Secretariat's comments in documents UNEP/OzL.Pro/ExCom/37/39 and UNEP/OzL.Pro/ExCom/39/Add.1.

AGREEMENT FOR PHASE-OUT OF CFCs IN THE FOAM SECTOR IN INDIA
(DRAFT)

1. The Executive Committee approves in principle a total of US \$5,424,577 in funding for the phased reduction and complete phase-out of CFCs used in the Foam Sector in India. This is the total funding that would be available to India from the Multilateral Fund for the complete elimination of CFC use in the Foam Sector in India, by 31 December 2006. The agreed level of funding would be disbursed in instalments as indicated in Table 1 and on the basis of the understanding set out in the agreement. The funding for policy and management support would be disbursed in three tranches of US \$100,000 each in 2002, 2003 and 2004. By this agreement, India commits that it will eliminate its total CFC consumption in the Foam Sector in accordance with the phase-out target and CFC consumption limits as indicated in Table 1.
2. The phase-out of CFCs achieved in the Foam Sector in excess of the specified target for a given year will contribute to achievement of the phase-out targets in subsequent years.
3. The Executive Committee also agrees in principle that the funds for the implementation of the annual programme for any given year will be provided at the last meeting of the Executive Committee in the preceding year, in accordance with the disbursement schedule in Table 1, for the exact amount listed for that year and on the basis of the implementation programme for the year, subject to the performance requirements contained in this agreement. The funding instalments for 2004, 2005 and 2006 will be released subject to:
 - (a) The confirmation that all agreed phase-out targets and consumption limits for the previous year have been achieved;
 - (b) The verification that the activities planned for the previous year were undertaken in accordance with the annual implementation programme.

In the event that there is a shortfall in the targeted phase-out for the given and previous years, funding equivalent to the shortfall would be withheld and considered for release by the Executive Committee when the phase-out targets are met.

4. India acknowledges that at least 27.3 ODP tonnes of the current CFC consumption in the Foam Sector as identified in the Foam Sector Phase-out Plan, are ineligible for Fund assistance because the related capacity was installed after 25 July 1995.
5. The Government of India agrees to ensure accurate monitoring of the phase-out. The Government of India will provide regular reports, as required by its obligations under the Montreal Protocol and this Agreement. The consumption figures provided under this agreement will be consistent with India's reports to the Ozone Secretariat under Article 7 of the Montreal Protocol. The Government of India also agrees to allow independent verification audits as provided for in this agreement, and in addition, external evaluation as may be directed by the Executive Committee, to verify that annual CFC consumption levels correspond to those agreed and that the implementation of the Foam Sector Phase-out Plan proceeds as scheduled and agreed in annual implementation programmes.

6. The Executive Committee agrees to provide India with flexibility in using the agreed funds to meet the consumption limits indicated in Table 1. The Executive Committee has the understanding that during implementation, as long as it is consistent with this Agreement, the funds provided to India pursuant to this Agreement may be used in the manner that India considers will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between India and UNDP in the Foam Sector Phase-out Plan as revised and as indicated in the annual implementation programmes. In the Executive Committee's acknowledgement of the flexibility available to India in achieving a complete CFC phase-out in the Foam Sector, it is understood that India is committing to provide the necessary level of resources as may be required for the implementation of the plan and for achieving the consumption limits indicated in Table 1 attached.

7. The Government of India agrees that the funds being agreed in principle by the Executive Committee at its 37th Meeting for the complete phase-out of CFCs in the Foam Sector are the total funding that will be available to India to enable its full compliance with the reduction and phase-out as agreed with the Executive Committee, and that no additional Multilateral Fund resources will be forthcoming for any related activities in the Foam Sector. It is also understood that aside from the agency fee referred to in paragraph 9 below, the Government of India, the Multilateral Fund, and its Implementing Agencies, and bilateral donors will neither request nor provide further Multilateral Fund related funding for the accomplishment of the total phase-out of CFCs in the Foam Sector in India.

8. The Government of India agrees that if the Executive Committee meets its obligations under this Agreement, but India does not meet the reduction requirements outlined in Table 1 and other requirements outlined in this Agreement, the Implementing Agency and the Multilateral Fund will withhold subsequent funding disbursements until such time as the required reduction has been met. It is clearly understood that the fulfilment of this Agreement depends on the satisfactory performance of its obligations by both the Government of India and the Executive Committee.

9. UNDP has agreed to be the Implementing Agency for the implementation of this Sector Phase-out Plan, which will be completed by the end of 2006. A fee of a total of [9 per cent] of the value of investment activities and [5 per cent] of the value of the policy and management support activities has been agreed in accordance with provisions of this Agreement as indicated in Table 1. As the implementing agency, UNDP would be responsible for the following:

- (a) Ensuring performance and financial verification in accordance with specific UNDP procedures and requirements as specified in the Foam Sector Phase-out Plan;
- (b) Reporting on the implementation of the annual implementation programmes to be included as part of each annual programme starting with the submission for the 2003 annual implementation programme prepared in 2002;
- (c) Providing verification to the Executive Committee that the control targets listed in Table 1 and the associated activities have been met;

- (d) Ensuring that the required verification audits are undertaken by appropriate independent technical experts;
- (e) Assisting India in preparation of annual implementation programmes, which will incorporate achievements in previous annual programmes;
- (f) Carrying out required supervision missions;
- (g) Ensuring the presence of an operating mechanism to enable effective, transparent implementation of the programme, and accurate data reporting;
- (h) Verifying to the Executive Committee that CFC consumption phase-out in the Foam Sector has been completed based on the schedules listed in Table 1;
- (i) Ensuring that disbursements are made to India based on agreed performance targets in the project and provisions in this Agreement;
- (j) Providing assistance for policy, management and technical support for implementation of the Sector Phase-out Plan, as and when required and report on these activities to the Executive Committee.

Table 1: Disbursement Schedule and Control Targets for CFC Consumption/Phase-out in the Foam Sector in India

Parameter	2002	2003	2004	2005	2006	2007	Total
Annual CFC consumption limit in Foam Sector (ODP MT)	1,655	1,434	1,037	529	128	0	N/A
Annual CFC phase-out target in the Foam Sector (ODP MT)	221	397	508	401	128	0	1,655
Total Annual Funding Instalment (US\$)	1,500,000	1,750,000	1,500,000	450,000	224,577	0	5,424,577
Agency Support Costs (US\$)	TBD	TBD	TBD	TBD	TBD	0	TBD
Total cost to the Multilateral Fund (US\$)	TBD	TBD	TBD	TBD	TBD	0	TBD
