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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-eighth Meeting  
Rome, 20-22 November 2002

**Addendum****PROJECT PROPOSALS: INDONESIA**

This addendum is issued to:

- **Add** the following paragraph:

48 bis. Subsequent to the preparation of the Fund Secretariat's evaluation sheet, final adjustments have been made to the distribution of funding and phase-out in annual tranches. Support costs have been agreed with UNDP and the World Bank on the basis of nine percent for project activities and five percent for management and implementation activities to be undertaken by Indonesia. A consolidated first implementation plan is being finalised for the year 2003. Finally, a draft Agreement has been developed encompassing all the sub-sectors, including refrigeration manufacturing approved at the 37<sup>th</sup> Meeting, and consolidating them into a draft refrigeration sector phase-out plan for Indonesia (copy attached). The consolidation includes re-phasing of annual tranches in 2003 and 2004 for the refrigeration manufacturing sub-sector to reflect the change in the annual project cycle from the second to the third meeting of each year. The draft also includes nomination of a "lead" implementing agency that will be responsible for co-ordinating reporting on performance and verification of phase-out and for preparation and submission of annual implementation programmes. The Secretariat has been advised that the Government of Indonesia is still discussing the issue of a lead agency. Accordingly, the relevant paragraphs (paragraph 10) of the draft Agreement has been placed in square brackets. The draft refrigeration sector phase-out plan is submitted for the consideration of the Executive Committee.

- **Add** the Draft Agreement for the Refrigeration Sector Phase-out Plan for Indonesia.

**AGREEMENT FOR PHASE-OUT IN THE REFRIGERATION SECTOR  
IN INDONESIA  
(Draft)**

1. This Agreement encompasses total phase-out of CFCs in the refrigeration sector in Indonesia, including the mobile air-conditioning sub-sector (MAC). It includes and supercedes the Agreement between the Executive Committee and Indonesia entered into at the 37<sup>th</sup> Meeting for phase out in the use of CFCs in the refrigeration (manufacturing) sub-sector. The Executive Committee and the Government of Indonesia acknowledge the intention to extend this Agreement to cover total phase-out of Annex A, Group I substances (CFCs) in Indonesia following future consideration of sector plans for phase-out in the foam and aerosols sectors in Indonesia.

2. The Executive Committee approves in principle a total of US \$15,627,300 in funding for the phased reduction and complete phase-out of CFCs used in the refrigeration sector in Indonesia by 31 December 2007. This is the total funding that would be available to Indonesia from the Multilateral Fund for the complete elimination of CFC use in the refrigeration sector in Indonesia. The agreed level of funding would be disbursed in installments as indicated in Table 1 and on the basis of the understanding set out in this Agreement. By this Agreement, Indonesia commits that it will eliminate its total CFC consumption in the refrigeration sector in accordance with the phase-out targets and CFC consumption limits as indicated in Table 1.

**Table 1: Disbursement Schedule and Control Targets for CFC Consumption  
and Phase-out in the Refrigeration Sector in Indonesia**

	2002	2003	2004	2005	2006	2007	2008	Total	
<b>Annual CFC Consumption limit in the Refrigeration Sector (ODP tonnes)</b>	n.a.	3,218	3,018	2,408	1,698	966	0	n.a.	
a. Annual phase-out target in the refrigeration manufacturing sub-sector (ODP tonnes) (UNDP)	0	90	300	300	300	241	0	1231	
b. Annual phase-out target in the refrigeration servicing sub-sector (ODP tonnes) (UNDP)	0	0	200	300	322	250	0	1,072	
c. Annual phase-out target in the MAC servicing sub-sector (ODP tonnes) (World Bank)	0	220	110	110	110	365	0	915	
<b>Total ODP phase-out in the refrigeration sector (ODP tonnes) (see footnote 1)</b>	<b>0</b>	<b>310</b>	<b>610</b>	<b>710</b>	<b>732</b>	<b>856</b>	<b>0</b>	<b>3218</b>	
Annual funding installments (US \$)	<b>UNDP (refrigeration manufacturing)</b>	1,288,000 see footnote 2	2,200,000	1,762,000	750,000	217,000	181,000	0	6,398,000
	Refrigeration manufacturing support cost	111,920 see footnote 2	194,000	156,900	67,500	19,530	16,290	0	566,140
	<b>UNDP (refrigeration servicing)</b>	2,196,758	1,805,987	500,000	250,000	159,555	0	0	4,912,300
	Refrigeration servicing support cost	195,708	160,939	43,400	21,300	13,160	0	0	434,507
	<b>World Bank (MAC servicing)</b>	1,369,800	1,347,300	1,347,300	126,800	125,800	0	0	4,317,000
	MAC servicing support cost	121,962	119,937	119,937	10,092	10,002	0	0	381,930
<b>Total annual funding installments (US \$)</b>	4,854,558	5,353,287	3,609,300	1,126,800	502,355	181,000	0	15,627,300	
<b>Total support costs (US \$)</b>	429,590	474,876	320,237	98,892	42,692	16,290	0	1,382,577	
<b>Total cost to MLF (US \$)</b>	5,284,148	5,828,163	3,929,537	1,225,692	545,047	197,290	0	17,009,877	
Total cost to MLF less amounts approved for UNDP at the 37 <sup>th</sup> Meeting	3,884,228	5,828,163	3,929,537	1,225,692	545,047	197,290	0	15,609,957	

**Footnotes:**

1. Provided that the "Annual CFC consumption limit in the refrigeration sector" is met and the "Total ODP Phase-out" is achieved, there can be flexibility in the contribution to total ODP phase-out from each of the sub-sectors indicated in categories a, b and c above.
2. This funding was approved at the 37<sup>th</sup> Meeting in July 2002.

3. In order to assist Indonesia to establish its implementation structure within the country, to achieve its 2003 reduction targets and to initiate measures to meet the other reduction targets specified in Table 1, and noting that the Executive Committee at its 37<sup>th</sup> Meeting provided US \$1,288,000 plus agency support costs as the first tranche of funding for the refrigeration manufacturing sub-sector, the Executive Committee decides at its 38<sup>th</sup> Meeting to provide an additional US \$3,884,228 plus agency support costs to Indonesia for activities requiring funding up to the end of 2003.

4. The Executive Committee also agrees in principle that the funds for the implementation of the annual programme for each year from 2004 onwards 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 installments requested in the preceding year for activities in 2004, 2005 and 2006 will be released subject to:

- (a) confirmation that all agreed phase-out targets and consumption limits for the previous year have been achieved;
- (b) verification that the activities planned for the previous year were undertaken substantially in accordance with a consolidated annual implementation programme; and
- (c) approval of a consolidated annual implementation programme.

5. Noting that funding for the refrigeration manufacturing sub-sector was approved at the 37<sup>th</sup> Meeting of the Executive Committee in July 2002 and that the next installment under this Agreement will not be considered until the final meeting in 2003, a period of some 16 months, it is agreed that the payment in 2003 will be increased to US \$2,200,000, and the payment in 2004 will be decreased to US \$1,762,000. The increase of US\$600,000 in the 2003 payment may be sought as an advance at the second meeting of 2003, if expenditure of the first tranche has been fully committed prior to the meeting.

6. The Government of Indonesia agrees to ensure accurate monitoring of the phase-out. The Government of Indonesia 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 Indonesia's reports to the Ozone Secretariat under Article 7 of the Montreal Protocol. The Government of Indonesia 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 each Refrigeration Sub-sector Phase-out Plan proceeds as scheduled and agreed in annual implementation programmes.

7. The Executive Committee agrees to provide Indonesia 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 Indonesia pursuant to this Agreement may be used in the manner that

Indonesia considers will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between Indonesia and UNDP/World Bank in the Refrigeration 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 Indonesia in achieving a complete CFC phase-out in the Refrigeration Sector, it is understood that Indonesia 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 above.

8. The Government of Indonesia agrees that the funds being agreed in principle by the Executive Committee at its 38<sup>th</sup> Meeting for the complete phase-out of CFCs in the Refrigeration Sector are the total funding that will be available to Indonesia to enable its full compliance with the reduction targets and phase-out schedule stipulated in Table I, and that no additional Multilateral Fund resources will be forthcoming for any related activities in the Refrigeration Sector. It is also understood that aside from the agency fees referred to in paragraph 10 below, the Government of Indonesia, the Multilateral Fund, and its implementing agencies will neither request nor provide further Multilateral Fund related funding for the accomplishment of the total phase-out of CFCs in the Refrigeration Sector in Indonesia.

9. The Government of Indonesia agrees that if the Executive Committee meets its obligations under this Agreement, but Indonesia 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 tranches of funding outlined in Table 1, 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 by both the Government of Indonesia and the Executive Committee of their obligations. In addition, Indonesia understands that with respect to all calendar year targets beginning with 2004, the Multilateral Fund will reduce the subsequent tranches and therefore the total funding for Annex A, Group I substances in the amount of US\$9,800 per ODP tonne (double the overall cost effectiveness of the programme) of reductions in consumption not achieved in any year, unless the Executive Committee decides otherwise.

10. [Support cost fees for UNDP and the World Bank of five percent of the annual funding for project implementation and monitoring and nine percent of the annual funding for all other activities have been agreed in accordance with the provisions of this Agreement, and distributed as shown in Table 1. As implementing agencies, UNDP and the World Bank will be responsible for the following:

- (a) Ensuring performance and financial verification of the sub-sector(s) for which they are responsible, including provision of assistance to the Government of Indonesia as specified in the sub-sector plan(s), in accordance with specific agency procedures and requirements;
- (b) Providing subsidiary reports for inclusion in an annual consolidated report on implementation, for submission to the Executive Committee, including verification that the relevant overall control targets listed Table 1 have been met and programmed activities completed, starting with the 2003 annual implementation programme prepared in 2002; and

- (c) Providing all required input in relation to their sub-sectors for inclusion in consolidated annual implementation programmes for submission to the Executive Committee.
- (d) Ensuring performance and financial verification of the sub-sector(s) for which they are responsible, including provision of assistance to the Government of Indonesia as specified in the sub-sector plan(s), in accordance with specific agency procedures and requirements.]

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