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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
Bangkok, 14-18 July 2008

# PROJECT PROPOSAL: INDIA

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Phase-out

| | |
|---|---|
| • CTC phase-out for the consumption and production sectors: 2008 annual programme | France, Germany Japan, World Bank, UNIDO |

Production

| | |
|---|---|
| • Accelerated CFC production phase-out | World Bank |

# CTC PHASE-OUT FOR THE CONSUMPTION AND PRODUCTION SECTORS: 2008 ANNUAL PROGRAMME

## Introduction

1. The World Bank as the lead implementing agency has submitted, on behalf of the Government of India, the 2008 annual work programme to the 55th Meeting and requested the release of US $3,211,875, plus agency support costs of US $240,891, for its implementation. The submission includes a verification of the achievement of the 2007 annual programme, which is mandatory under the Agreement between the Government of India and the Executive Committee for releasing the 2008 funding, and the proposed 2008 work programme. The verification report and the 2008 work programme are not attached but could be made available upon request.

## Background

2. At its 40th Meeting in July 2003, the Executive Committee decided to approve, in principle, a total of US $52 million to assist India in complying with the Montreal Protocol control schedule for the production and consumption of carbon tetrachloride (CTC), and disbursed the first tranche of US $5 million at the meeting to start implementation of the project. At the following meeting, the Committee approved the Agreement for the phase-out in the consumption and production of CTC in India and disbursed the balance of US $3,520,843 for the funding of the 2003 annual work programme. The Executive Committee approved the 2004 and subsequent, including 2007, annual programmes and brought the total cumulative disbursement to US$45.57 million as at the end of 2007.

3. A summary of the CTC phase-out targets and funding tranches of the sector plan and the 2008 annual work programme is presented in the following table:

| | Baseline | 2003 | 2004 | 2005 | 2006 | 2007 | **2008** | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| 1. Max allowable total consumption (ODP tonnes) | 11,505 | N/A | N/A | 1,726 | 1,147 | 708 | **268** | 48 | 0 |
| 2. Max allowable total production (ODP tonnes) for this Agreement | 11,553 | N/A | N/A | 1,726 | 1,147 | 708 | **268** | 48 | - |
| 3. WB agreed funding | | 8,520,843 | 9,180,112 | 399,045 | 9,556,267 | 4,020,938 | **3,211,875** | 3,211,874 | - |
| 4. WB support costs | | 639,063 | 688,508 | 29,928 | 716,720 | 301,570 | **240,891** | 240,891 | - |
| 5. France agreed funding | | - | 1,000,000 | 1,000,000 | 500,000 | 500,000 | - | - | |
| 6. France support costs | | - | 85,000 | 85,000 | 85,000 | 85,000 | - | - | |
| 7. Germany agreed funding | | - | 700,000 | 700,000 | 300,000 | 300,000 | - | - | |
| 8. Germany support costs | | - | 57,500 | 57,500 | 57,500 | 57,500 | - | - | |
| 9. Japan agreed funding | | - | 2,500,000 | 2,500,000 | - | - | - | - | |
| 10. Japan support costs | | - | 280,000 | 280,000 | - | - | - | - | |
| 11. UNIDO agreed funding | | | | 3,500,000 | 399,046 | | | | |
| 12. UNIDO agreed support cost | | | | 262,500 | 29,928 | | | | |
| 13. Total agreed funding (US $) | | 8,520,843 | 13,380,112 | 8,099,045 | 10,755,313 | 4,820,938 | **3,211,875** | 3,211,874 | |
| 14. Total agency support costs (US $) | | 639,063 | 1,111,008 | 714,928 | 889,148 | 444,070 | **240,891** | 240,891 | |
| 15. Total agreed costs (US $) | | 9,159,906 | 14,491,120 | 8,813,973 | 12,073,435 | 5,265,008 | **3,452,766** | 3,452,765 | |

**Verification of the 2007 work programme**

The verification framework of the India CTC phase-out programme

4. The verification framework, which was developed by the World Bank and noted by the Executive Committee, requires the verification to proceed from the Montreal Protocol definitions of production and consumption. It also needs to cover the total annual CTC production and imports, exports, and the breakdown of CTC production for feedstock and non-feedstock applications; and include the checking and validation of records such as production logs, production ratios between product and its feedstock, quotas and quantity of imports, excise records and other related documents.

Verification of the 2007 work programme

5. The verification was carried out in February-March 2008 by a four-member team from Mukund M Chitale & Co. Chartered Accountants, the firm which has been involved in the same exercise for the past two years. Two of the members have extensive experience in the chemical industry while the other two are knowledgeable in financial accounting.

6. The objectives of the verification were to confirm that the CTC production and consumption of controlled uses in 2007 had not exceeded the maximum allowable limits set in the Agreement, namely 708 ODP tonnes in each case. The methodology employed was to verify the CTC production and imports from the supply side, and deduct from the total supply the CTC used as feedstock in the production of primarily CFC and Dichloro Vinyl Acid Chloride (DVAC). The balance would represent the CTC consumption for non-feedstock uses controlled under the Montreal Protocol.

7. As a result, the team of auditors reviewed the records of:

(a) Production of CTC by all four local producers;

(b) Import of CTC by CTC feedstock users;

(c) Consumption of the locally procured and imported CTC by all feedstock users;

(d) CTC sale to non-feedstock users as per the dispatches from the CTC producers under the annual quotas issued by the Ozone Cell;

(e) Registrations of all CTC producers and feedstock users issued by the Ozone Cell, Ministry of Environment and Forests (MoEF). Under the Environment Protection Act (1986), Ozone Depleting Substances (Regulation) Rules 2000 were established by the Government of India, by which no person shall produce or cause to produce ODS unless he/she is registered with the Ozone Cell, MoEF, and as a result all CTC producers and feedstock users have been registered with the Ozone Cell; and

(f) Registration records, maintained by CTC producers, of all CTC buyers for non-feedstock use. However, since the methodology used was to determine the controlled use by confirming the supply and demand through verification of the levels of CTC production, import/export, and feedstock use, the team did not verify at enterprise-level the non-feedstock uses.

8. Prior to visiting the industries, the verification team collected information through the Ozone Cell which forwarded a questionnaire to each CTC producer and feedstock user for completion. The independent verification team also visited the CTC storage installations at Kandla in Gujarat, the only port where bulk CTC is imported, to assess the actual level of CTC imports and exports. The team visited four CTC producers, two CFC producers, nine DVAC producers, one Vinyl Chloride Monomer (VCM) producer, one Di-fluro benzophenone (DBBP) producer, four CTC storage agents and two surveyors. Table 2 of the submission contains the list of the industries and institutions that were visited by the verification team with information on the name and address and the category of the industry (whether being a CTC producer or a feedstock user).

9. The verification procedures employed during site visits included, amongst others, the following steps:

(a) Review of the record keeping system of each enterprise such as production logs, issue logs, and dispatch logs;

(b) Review of the daily raw material consumption data and daily production records for CTC and other chloromethane production;

(c) Verification of annual production, imports, and local procurement of CTC. This step entailed the following tasks:

(i) An initial round of a facility tour to familiarize with the plant layout, and to meet with the key personnel;

(ii) Verification of the data in the complete questionnaire completed by respective enterprises. This was carried out based on the documentary evidence called for by the independent verification team. The verification was done by cross-checking the data provided in the questionnaire against the production and excise records and also comprises of tracking these sets of data from the monthly records on a random basis;

(iii) In addition to the above financial, commercial and store records comprising of ledgers, invoices, Goods Receipt Notes (GRN), issue slips, statutory excise records, records of imported consignments including weigh bridge documents, surveyor's certificate, and others, were reviewed; and

(iv) Efficacy of the documents used for these verification purposes was also tested to the extent possible. For example, imported consignments were cross-checked against the purchase orders, suppliers' invoices, and surveyors' out-turn reports;

(d) Mass balance analyses were conducted for the production of CFCs during the CFC audits and for the production of DVAC. The purpose was to verify whether CTC consumption for these applications is within the known and available industry norms. The process involved:

(i) Sighting the documentary evidence of the consumption of the raw materials; and

(ii) Comparing the actual consumption with the theoretical (stoichiometric) requirement;

(e) Verification of cumulative inventory changes of chlorine, a key raw material for CTC producers; the verification of inventory changes of CTC in case of CTC feedstock users like CFC producers and DVAC producers, to determine whether the changes are consistent with the levels of production of CFC and DVAC;

(f) Verification of cumulative inventory changes of CTC in transit to ensure no diversion of CTC intended for feedstock applications to non-feedstock applications, to the extent they were made available for verification.

10. The findings of the verification team include the level of CTC sold by CTC producers for controlled use, including the drawdown from their CTC inventory built up prior to 2004; the results of the audit at the CTC producers which includes total CTC production, sales for feedstock and for controlled use; and the results of the audit at feedstock users for CFC, DVAC, VCM and DBBP and the overall mass balance. There is also a presentation of the results according to the Montreal Protocol definitions of CTC production and consumption.

11. Attached to the verification report is an annex which provides a summary of the 2007 plant audits at each of the four CTC producers, and each of the CTC feedstock users, including CFC producers, DVAC producers and VCM and DBBP producers. The summary covering CTC producers describes the CTC production process and history of the plant, data on the CTC opening stock, imports, production, sale for feedstock uses, sale for non-feedstock uses against sales quota, and closing stock. It also provides data on the breakdown of the production levels of co-produced chloromethane products, methylene chloride (C2), chloroform (C3), CTC, the aggregate consumption of methane (methanol) and chlorine.

12. The summary on CFC producers includes a brief history of the plant, source of supply of raw materials through imports or local production, the production process, the consumption in 2007 of CTC and any issues that were identified. A cross-reference to the verification of the CFC production in 2007 was made where the consumption of CTC was examined by the CFC verification team. The description of each of the nine DVAC, VCM and DBBP producers includes the technology used, the data checked at the plant, gross CTC consumption data on opening stock, imports, domestic procurement, quantity used for DVAC VCM and DBBP production and the closing stock.

13. The findings of the verification are as follows:

- Total CTC production in 2007: 9,538 mt
- Feedstock use: 17,164 mt
  - Imports for feedstock: 6,586 mt
  - From previous year stock: 1,683 mt
  - From current year production: 8,895 mt
- Direct sales to non-feedstock users: 643 mt, not including 64 mt from 2004 inventory
- Remaining inventory built up from 2004 at the end of 2007: 403 mt
- No CTC destroyed
- No export of CTC in 2007

14. In order to corroborate results from the production and sales verification, the verification team performed an analysis of the change in the stockpiles during the year 2007 as shown below. By subtracting the quantity drawn by feedstock and non-feedstock users and goods in transit from the opening stock, the balance of CTC stock at end of 2007 is 3,656 mt, which is in line with the audited figure of 3,656 mt. The remaining stock at end of 2007 comprises of the CTC stock built up by end of 2004 (403 mt) and the stock built up after 2004 (3,253 mt).

| **Stockpile Management** | **MT** | **Feedstock** | **Non-Feedstock** |
|---|---|---|---|
| Opening Stock at beginning of 2007 | 5,419 | 4,952 | 467 |
| Withdraw for feedstock use (Received by feedstock user) | 1,683 | | |
| Withdraw for feedstock use (Goods in transit) | 16* | | |
| Withdraw for non-feedstock use | 64 | | |
| Balance | 3,656 | | |
| Closing Stock at end of 2007 (audited figure) | 3,656 | 3,253 | 403 |

* The independent audit also reveals that part of the sales made to feedstock users that did not arrive with feedstock users before the end of 2007, is equal to 16 MT. This quantity is considered as goods in transit.

15. The verification team has presented the results of the verification using the Montreal Protocol definitions on production and consumption and reports the following:

| **Production** | **MT** |
|---|---|
| Gross Production | 9,538 |
| Quantity Used for Feedstock | 8,895 |
| Production per MP | **643** |
| **Consumption** | **MT** |
| Production | 643 |
| Import | 0 |
| Export | 0 |
| Consumption per MP | **643** |

**Comments of the Secretariat on the 2007 verification report**

16. The verification has been carried out according to the verification framework, which was reviewed and noted by the Executive Committee at its 43rd Meeting. The team that was contracted has the relevant expertise and experience in this field.

17. The methodology used to confirm the CTC production and consumption in controlled uses consisted of verifying gross CTC production and imports, and the CTC use for feedstock is appropriate under the current Indian Government policy controls on CTC production, imports, consumption and distribution. CTC producers and feedstock users must be registered with the government and are the only entities allowed to import CTC. CTC dealers and CTC users for controlled applications are not allowed to import and can only purchase CTC from CTC producers who have a list of all the dealers and the major non-feedstock users. The Government decided that for the purpose of the verification sales from CTC producers to dealers and non-feedstock users were deemed to be non-feedstock uses even if the stock was subsequently diverted to feedstock use. One of the key objectives of the verification is to confirm that CTC imported and locally purchased by feedstock users was not diverted to non-feedstock uses.

18. The verification of the production and sales records at the CTC producers indicate that the total CTC sold as controlled use in 2007 were 707 mt which includes 64 mt drawn from the inventory built up before 2004. Therefore, the CTC production and consumption for controlled use is confirmed at 643 mt, or 707 ODP tonnes which is just below the target set in the Agreement at 708 ODP tones.

**The 2008 annual programme**

A quick overview of the CTC sector in India

19. There are four CTC producers in the country. Apart from being used as feedstock, primarily in CFC and DV acid chloride production, CTC is also used in India as a process agent and a solvent. For process agents, CTC is used in sectors such as chlorinated rubber, chlorinated paraffin, pharmaceutical, and agro-industries. As a solvent, CTC is used in the textile and garment industries, metal-cleaning industry and as a chemical solvent.

20. A number of implementing agencies are involved in the Indian programme and have been assigned to different sectors. The World Bank is the lead agency and is responsible for the CTC production phase-out and, together with UNIDO, the phase-out of CTC consumption in the process agent and chemical solvent sectors. Japan has contracted UNDP to assist it in phasing out CTC consumption in four enterprises for metal cleaning. France and Germany would assist the small users to stop using CTC in the textile and metal-cleaning industries.

Achievement from the 2007 Work Programme

21. The World Bank's submission briefly discusses the activities implemented by the various implementing agencies and the Government of India in 2007.

22. In 2006, a total of 103 CTC projects covering both process and solvent applications were identified and were placed under the responsibility of the agencies. A summary of these projects with status of implementation is given in the table below:

| **Particulars** | **The World Bank** | **UNIDO** | **UNDP** | **GTZ** | **Total** |
|---|---|---|---|---|---|
| Total number of projects | 82 | 14 | 4 | 3 | 103 |
| Project completed | 22 | 11 | | | 33 |
| Project under implementation | | 3 | 4 | | 7 |
| Project under review | 6 | | - | 3 | 9 |

23. The 33 completed projects plus the seven under implementation would phase out 2,080 ODP tonnes of CTC. Out of some 60 projects under review by the World Bank, only six would be funded and the rest not, due to limited funding by the World Bank. However, some of these projects were reportedly being considered for possible funding from the un-spent fund balance of the UNDP programme. With respect to the four solvent projects under UNDP's responsibility, installation of equipment would proceed once the construction work was completed in 2008. In spite of this, CTC consumption was already terminated in 2005 in these plants.

24. UNIDO had reportedly almost completed all 14 projects, including three newly identified ones planned for completion in 2008. During 2007, GTZ continued its technical assistance to replace CTC used in stain removal work for small garment manufacturers and metal cleaning. The fast reduction in the supply of CTC has increased the CTC price significantly in the country and enabled many SMEs to move away from CTC. GTZ has done extensive work in testing alternatives that meet health, safety and environment standards. The achievement of the CTC phase-out in these two widely dispersed industry sectors that is garment and metal cleaning, would mostly be realized through government policy measures, especially those which will influence the pricing of CTC and its alternatives.

25. In 2007, the Government of India continued to implement a number of policies related to activities in the CTC sector plan, such as registration of CTC producers, importers, and exporters, and an import quota system for CTC. Further progress is reported on the programme of activities implemented by the project management unit (PMU), especially training of customs officers on CTC trade requirements, and the Small Industries Service Institute officers on ODS Rules, which is the basic government law on the control of ODS.

26. Of the total approved funding of US $45.57 million, approximately US $35.3 million had been disbursed as of end of 2007.

The proposed 2008 work programme

27. The 2008 annual programme proposes to reduce the CTC production and consumption from the actual level in 2007 of 708 ODP tonnes to 268 ODP tonnes under each category. Planed reduction of CTC consumption in process agent and solvent applications in 2008 is presented below against those numbers in 2007.

| **Indicators** | | **Preceding Year (2007) ODP tonnes** | **Year of Plan (2008) ODP tonnes** | **Reduction ODP tonnes** |
|---|---|---|---|---|
| Supply of CTC | Import for non-feedstock | - | - | - |
| | Production | 708 | 268 | 440 |
| | Total | 708 | 268 | 440 |
| Demand of CTC | Process Agents | 120 | 48 | 72 |
| | Solvent | 588 | 220 | 368 |
| | Total | 708 | 268 | 440 |

28. The plan aims at maintaining the momentum of CTC phase-out in the production sector and to accelerate implementation of consumption sector projects. The Government intends to continue a number of actions to facilitate the implementation of the 2008 annual work programme, especially public awareness campaigns on government policies for phasing out CTC and on CTC alternatives. Under the technical assistance programme, efforts will be made to develop a safety manual for CTC alternatives, assess the sustainability of phase-out activities already completed and training of customs officials on the control of illegal trade in CTC.

29. The various implementing agencies will continue with the completion of the on-going programmes, with phase-out targets delineated. UNDP anticipates generating savings of approximately US $1.5 million from its programme and is working with the Government and the World Bank to finance additional projects under the World Bank programme to phase out CTC in metal cleaning industries.

30. For the 2008 work programme, the total requested funding of US $3,211,875 would be used for activities under the World Bank programme as planned, while the other agencies will finance their 2008 activities from the unspent fund balance.

**Comments of the Secretariat on the 2008 annual work programme**

31. The progress report on the implementation of the 2007 annual programme seems to indicate that the programme of phasing out the production and consumption of CTC is proceeding well and the consumption is decreasing with the help of the enabling policies of the Government to reduce the supply of CTC and the industry conversion activities which reduces the demand for the substance. The remaining challenge seems to be the solvent use of CTC by the SMEs in garment manufacturing and metal cleaning and in finding alternatives that are safe and cost-effective to make any switch from CTC sustainable.

**Recommendations**

32. In view of the fact that India achieved the 2007 CTC phase-out targets in production and consumption as shown in the verification report, the Secretariat recommend that the Executive Committee approves the request of the World Bank for the release of the 2008 tranche of US $3,211,875 and the support cost of US $240,891 for the India CTC sector phase out plan.

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**DRAFT AGREEMENT BETWEEN INDIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE ACCERATED CFC PRODUCTION PHASE OUT**

## Introduction

33. The World Bank is submitting for approval by the Executive Committee at its 55th Meeting, on behalf of the Government of India, the draft agreement between India and the Executive Committee for the accelerated CFC production phase out (attached).

## Background

34. At its 54th Meeting in April 2008, the Executive Committee decided through its decision 54/37:

(a) "To approve in principle US $3.17 million for closing down CFC production in India by 1 August 2008, 17 months ahead of the existing phase-out schedule with the understanding that additional production of CFCs from 1 January-31 July 2008, dedicated primarily to metered-dose inhaler (MDI) applications, would not exceed 690 metric tonnes;

(b) To request the Fund Secretariat and the World Bank to prepare and submit a draft agreement on accelerating the CFC production closure project to the 55th Meeting of the Executive Committee. The draft agreement should include the Government's commitment to ensure that the remaining stock of CFCs (1,363 metric tonnes) at the end of 2007, except a quantity of up to 135 metric tonnes that might be required to meet the needs of the MDI sector, was exported no later than 31 December 2009;

(c) To request India to confirm in the draft agreement its domestic demand for CFCs for the MDI sector in 2008 and 2009 in order to establish the exact quantity of CFCs to be exported;

(d) That the draft agreement should describe and include the necessary steps for completing the dismantling activities required and the verification confirming that production closure and dismantling had taken place."

35. At the same meeting, the Executive Committee also decided by decision 54/35, in assisting India to comply with the targets under the Agreement for the phase-out of CFC consumption, the following (as related to the integrated management of the phase-out of CFC production and consumption in the country):

"(g) In respect of the CFC consumption sector agreement, that:

(i) India would produce no more than 690 metric tonnes of CFCs, primarily for the manufacturing of metered-dose inhalers (MDIs), up until 1 August 2008;

(ii) India's CFC producers would sell no more than 825 metric tonnes of CFCs for MDI production in the years 2008 and 2009, comprising 690 metric tonnes of new production and 135 metric tonnes reprocessed from existing stock;

(iii) India would export 1,228 metric tonnes of CFCs no later than 31 December 2009;

(iv) India would not import any more CFCs of any kind."

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

36. The draft agreement covers all the provisions in the above decisions. However, the Secretariat sought clarification with regard to the penalty clause in paragraph 7 of the draft agreement. Specifically, the text states that "the Executive Committee may reduce the funding of the subsequent tranches on the basis of US $1,000 per ODP tonne of reductions not achieved in the production sector." The clarification that the Secretariat sought is that since CFC production would be terminated as of 1 August 2008, the likelihood that India would not meet its CFC production target is small, but on the other hand the weight of the accelerated phase-out would be to "confirm the production, reprocessing limit, sales (both export and domestic) and stock of CFCs in accordance with the agreement" as stated in paragraph 5 of the text. It is not clear whether the current wording of the penalty clause would also apply to the tasks in paragraph 5.

37. At the time of writing this document, the Secretariat has not received a reply from the World Bank.

### RECOMMENDATIONS

4. Pending.

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**Annex I**

# AGREEMENT BETWEEN INDIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE ACCELERATED CFC PRODUCTION PHASE-OUT

The World Bank

12 June 2008

**AGREEMENT BETWEEN INDIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE ACCELERATED CFC PRODUCTION PHASE-OUT**

1. This Agreement supplements the Consensus Agreement for the Indian production sector which the Executive Committee and India entered into at the 29th Meeting ("the Existing Agreement"). This Agreement represents the understanding of India ("the Country") and the Executive Committee with respect to the Accelerated Phase-out of the CFC Production by 1 August 2008.

2. The Country agrees to revise its CFC production phase-out schedule with the understanding that:

(a) India would produce no more than 690 MT of CFCs, primarily for the manufacturing of metered-dose inhalers (MDIs) up until 1st August, 2008
(b) India's CFC producers would sell no more than 825 MT of CFCs for MDI production in the years 2008 and 2009, comprising 690 MT of new production and 135 MT reprocessed from existing stock.
(c) India would export 1228 MT of CFCs no later than 31st December 2009.
(d) India would not import any new CFCs.
(e) Any by-product non-pharmaceutical grade CFCs generated from the production under (a) are counted against the limit in row 2 of Table 1 in Appendix 1 and could be released to the market;
(f) This Agreement does not cover any CFC production that may be agreed by the Parties to meet essential uses for India; and
(g) Other conditions in the Existing Agreement, in addition to the above, are applied to this Agreement.

3. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in Table 2 of Appendix 1, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the phase-out of the production of CFCs.

4. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3 of Table 2 in Appendix 1 (the "Funding") to the Country. The Executive Committee will provide the funding tranches associated to the new accelerated phase-out at the 56th and 60th Executive Committee meetings. For the subsequent tranche in 2009 under the Existing Agreement, the release of this tranche will follow the terms and conditions stipulated in the Existing Agreement.

5. The Country will meet the production limits as indicated in row 2 of Table 1 in Appendix 1. The Country also agrees to allow for independent technical audits administered by the Implementing Agency (World Bank) in order to confirm the production, reprocessing limit, sales (both export and domestic) and stock of CFCs in accordance with the agreement.

6. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. The Country also agrees to establish policies or

enforcement mechanisms to ensure coordination of CFC phase-out efforts in both the production and consumption sectors by implementing policy and regulatory measures set out in Appendix 2.

7. Should the Country, for any reason, not meet the Targets for the elimination of the Substances or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Disbursement Schedule. In addition, the country understands that the Executive Committee may reduce the funding of the subsequent tranches on the basis of US $1,000 per ODP ton of reductions not achieved in the production sector.

8. 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 production sector projects or any other related activities in the Country.

9. The Country will comply with any reasonable request of the Executive Committee and the World Bank to facilitate implementation of this Agreement. In particular, it will provide access by the World Bank to information necessary to verify compliance with this Agreement.

10. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

**Appendix 1 Targets and Funding**

**Table 1. Production targets**

| **Description** | **Year** | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| 1. Targets under the Existing Agreement (ODP tons ) | 2,259 | 1,130 | 0 |
| 2. Production under this Agreement (ODP tons) | 690 | 0 | 0 |

**Table 2. Funding**

| **Description** | **Year** | | |
|---|---|---|---|
| | **2008** | **2009** | 2010 |
| 1. Funding under the Existing Agreement (US $' 000s) | 6,000 | 6,000 | 0 |
| 2. Support cost under the Existing Agreement (US $' 000s) | 450 | 450 | 0 |
| 3. Total adjusted funding for this Agreement (US $' 000s) | - | 2113 | 1057 |
| 4. Support cost for the adjusted funding for this Agreement (US $' 000s) | - | 0 | 238 |
| 5. Total funding to be released to the Country and IA | 6450 | 8563 | 1295 |

**Appendix 2 Policy and Regulatory Measures**

1. As per the Plan of Action submitted by the Country at the 54th Meeting of the Executive Committee, the Country agrees to undertake the following measures:

(a) Ban the production and reprocessing of CFCs, excluding any production for essential uses that may be agreed by the Parties in the future, by 1 August 2008;

(b) Ensure consistency of the consumption schedule of the Ozone Rules and the consumption limits in row 3 of Appendix 2 – A of the Agreement between India and the Executive Committee for the national phase-out of CFC consumption in India focusing on the refrigeration service sector;

(c) India will not import new CFCs; and

(d) Strengthening of the system for monitoring movement of CFC stocks and imports, if any.