



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/41/34/Add.1
15 December 2003

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 - 19 December 2003

Addendum

PROJECT PROPOSAL: ECUADOR

This document is issued to:

- **Add** the following paragraph 38(bis) on page 11 under comments:

38(bis) The 2004 annual work programme has been prepared. The draft agreement between the Government of Ecuador and the Executive Committee has been concluded and is attached to this document as Annex I.

- **Add** Annex I here attached.

Annex I**DRAFT AGREEMENT BETWEEN ECUADOR AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF CFCs**

1. This Agreement represents the understanding of Ecuador (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances in the sectors set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in all Sectors in accordance with the annual phase-out targets set out in row 1 of Appendix 2-A (the “Targets”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. 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 5 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in row 1 in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of these Targets has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.

8. Specific attention will be paid to the execution of the activities in the servicing sector, in particular:

- (a) The Country would use the flexibility available under this agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration service sector would be implemented in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this agreement.

9. 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 World Bank (the “Lead IA”) has agreed to be the lead and sole implementing agency in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 8 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances in all Sectors or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. At 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. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. 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 sector projects or any other related activities in the Country.

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

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and do not extend to obligations beyond this Protocol. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendices

Appendix 1-A: The Substances

1. The ozone-depleting substances to be phased out under the Agreement are listed below.

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115
Annex B:	Group I	CFC-13

Appendix 2-A: The Targets, and Funding

	2003	2004	2005	2006	2007	2008	2009	2010
Montreal Protocol Reduction Schedules	301.4	301.4	150.7	150.7	45.2	45.2	45.2	0
1. Max allowable total consumption of first substance/sector (ODP tonnes)	246	235	150	80	42	21	21	O*
2. Reduction from ongoing projects	0	0	0	0	0	0	0	0
3. New reduction under plan (ODP tonnes)	0	11	85	70	38	21	21	0
4. Total annual reduction of first substance (ODP tonnes)	0	11	85	70	38	21	21	0
6. Lead I.A. agreed funding		777,326	429,319	227,410	227,411	18,334	0	0
7. Lead I.A. support costs		58,300	32,199	17,055	17,056	1,375	0	0
8. Total agreed funding (US \$)		835,626	461,518	244,465	244,467	19,709	0	0
9. Total agency support costs (US \$)		58,300	32,199	17,055	17,056	1,375	0	0

* Except essential uses agreed upon by the Parties

Appendix 3-A: Funding Approval Schedule

2. The timing of submission for funding of annual implementation plans is as follows:

- (a) Funding will be considered for approval at the first meeting of the year of the annual implementation programme, except for the 2004 annual implementation programme which is submitted to be considered for approval at the last meeting of the year preceding the annual programme (at the 41st Meeting).

Appendix 4-A: Form of Annual Implementation Programme

1. Data

Country _____
 Year of plan _____
 # of years completed _____
 # of years remaining under the plan _____
 Target ODS consumption of the preceding year _____
 Target ODS consumption of the year of plan _____
 Level of funding requested _____
 Lead implementing agency _____

2. Targets

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. Industry Action

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1)-(2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
Grand total						

4. Technical Assistance

Proposed Activity: _____
 Objective: _____
 Target Group: _____

Impact: _____

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Type of policy control on ODS import: servicing, etc	
Public Awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
Total	

7. Administrative Fees

Appendix 5-A: Monitoring Institutions and Roles

(as developed in the project document)

The project management team will assist MICIP to carry out the following tasks:

- Set up a web site with a list of importers, their annual quotas, and the actual amount already imported within the current calendar year;
- Update the information on the actual amount of imported CFCs with the Custom Department on a quarterly basis;
- Monitor import of HFC-134a, HCFC-22, and HCFC-141b;
- Train MICIP state officers to identify and monitor CFC use at the enterprise level;
- Inspect warehouse of CFCs, HCFCs, and HFC-134a importers;
- Report any incidents of illegal import of CFCs;
- Carry out safety and technical audits of all projects undertaken under this plan;
- Update the consumption data at the end-user level once every two years and prepare a revised strategy, if necessary, for MICIP;
- Prepare progress reports and annual work plans for submission to the Executive Committee;
- Maintain good account of all the expenditure incurred by this project.

Appendix 6-A: Role of the Lead Implementing Agency

3. The Lead Implementing Agency will be responsible for the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;

- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme commencing with the Annual Implementation Programme for the 2004 year to be prepared and submitted in 2003;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate independent technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
- (j) Coordinate the activities of the Coordinating IAs, if any;
- (k) Ensuring that disbursements made to the Country are based on the use of the Indicators; and
- (l) Providing assistance with policy, management and technical support when required.

Appendix 7-A: Reductions in Funding for Failure to Comply

4. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by US \$6,950 per ODP tonne of reductions in consumption not achieved in the year.
