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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-seventh Meeting
Bangkok, 16-20 July 2012

PROJECT PROPOSALS: INDIA

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

Phase-out

- CTC phase-out plan for the consumption and production sectors (work plan covering the funds remaining) World Bank

Production

- Accelerated CFC production phase-out (second tranche) World Bank

India: CTC phase-out plan for the consumption and production sectors (work plan covering the funds remaining) (World Bank)

Introduction

1. Decision 65/10(j)(v) requested the World Bank as the lead implementing agency for the CTC phase-out plan for the consumption and production sectors in India to provide a report on the implementation of the plan in time for the 66th meeting and, if applicable, a revision of the planned activities. The report was submitted by the World Bank, and the Executive Committee took note of it as well as of the related verification as part of decision 66/15.

2. The World Bank had also informed the Secretariat prior to the 66th meeting that the remaining funds in the sector plan amount to US \$1.4 million, and had submitted a plan for their implementation. In light of comments made by the Secretariat related to the planned activities the World Bank withdrew the submission to allow sufficient time for consideration of the different possibilities for allocating the funding. In decision 66/15(j)(iv), the Executive Committee had requested the World Bank to provide to the 67th meeting a work plan covering the funds remaining in the CTC phase-out plan in India.

Proposed 2012/2013 work plan

3. The World Bank advised that since 2010, no quota order for sale to non-feedstock uses had been issued by the Ozone Cell, there were no direct sales to non-feedstock users, and no CTC was imported or exported by the CTC producers. Activities directly related to the phase-out of CTC have been satisfactorily implemented, and India is in compliance with its obligations under the Montreal Protocol with regard to phase-out of production and consumption of CTC. However, CTC will continue to be generated in India, and used as a feedstock in compliance with the Montreal Protocol.

4. A number of technical assistance activities are proposed in the submission in order to ensure the sustainability of the CTC phase-out. These activities will provide the Government with tools and information regarding best practices to strengthen its ability to track further and manage CTC used as feedstock. They also will strengthen the Government in overseeing and supporting the industry and other users so that production for non-controlled uses as well as release into the environment can be minimized.

5. The World Bank proposes to focus implementation on the following activities:

- (a) Assessment of current use of CTC for laboratory and analytical uses and alternatives. The World Bank assumes that use of CTC from stockpiles at laboratories currently takes place; such uses have not been investigated previously. The assessment will provide the Government as well as identified users with necessary information to plan and implement the phase-out of this use in the future. The budget foreseen for this effort is US \$130,000;
- (b) Strengthening of a sustainable mechanism for the Government's monitoring of CTC co-production, storage and use as feedstock. These activities are budgeted at a level of US \$115,000;
- (c) Training of State Governments and pollution control board officers to strengthen their capacity to monitor, report, and control production and, in particular, non-controlled use by the chemical industry, and to suppress potential consumption in controlled uses. A series of eight workshops at the regional level is envisaged for a total cost of US \$150,000;
- (d) Commissioning of a study to identify future trends of CTC production and feedstock needs in India, with the aim to identify possible risks of future excess CTC production,

with a budget allocation of US \$35,000;

- (e) The work plan foresees a number of activities intended to facilitate future reduction of production and emissions of CTC; these involve technical assessments of the technical status quo in the different enterprises and options for improvement, with feedback to the Government, forming a basis for both related industry activities in the future as well as for subsequent potential regulatory action and supervision by the Government. These include:
 - (i) Reduction of CTC co-production during production of chloromethanes and assessment of feasibility of CTC conversion, with an associated budget of US \$120,000;
 - (ii) Process audits of CTC feedstock users to generate recommendations for improvements to reduce emissions, as appropriate, with an associated budget of US \$200,000; and
 - (iii) Study on management of CTC residues from the production of chloroform, including disposal options, with an associated budget of US \$80,000;
- (f) Preparation and publishing of “A decade of ODS phase out”, a publication with particular focus on CTC phase-out, for a total of US \$10,000; and
- (g) Support for a Programme Management Unit (PMU), in particular for on-going PMU activities to ensure oversight, documentation and sustainability of operation. As the project draws to a close, the PMU will have to carry out, in addition to on-going monitoring and management tasks, a number of activities related to finalisation of activities, ensuring orderly completion and sustainability. These activities, which might extend beyond the end of 2013, are budgeted at a total of US \$280,000.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

6. The Secretariat had provided on the basis of a first submission of the annual plan to the 67th meeting comments regarding the use of CTC for laboratory purposes in the country, pointing out that India has no related consumption; the targeting of the activities for monitoring CTC, reduction of its CTC production as a by-product, emission reduction and residue handling; and the funding level foreseen for the publication. The World Bank took the related comments into account and prepared a revised plan, as introduced above. The implementing agency also confirmed that all activities with the possible exception of the PMU are scheduled for completion within 12 months.

7. In relation to the work on laboratory and analytical uses, which is meant not to fund conversions or equipment, the Secretariat noted that the Agreement between the India and the Executive Committee for the phase-out of production and consumption of CTC, approved at the 41st meeting, states in its paragraph 2 that the Country accepts that, by its acceptance of this Agreement it is precluded from applying for or receiving further funding from the Multilateral Fund in respect of CTC, and that this provision applies also to any funding for phase-out of laboratory and analytical uses. The World Bank was advised accordingly prior to the finalisation of the discussion on the work plan.

RECOMMENDATION

8. The Executive Committee may wish to consider:
 - (a) Approving the work plan for the remaining funding under the CTC phase-out plan for the consumption and production sectors in India; and
 - (b) Requesting the World Bank, in case that by 31 August 2013 activities other than the Programme Management Unit support are not completed, or balances remain un-obligated, to provide to the 71st meeting of the Executive Committee a report on the implementation of the activities approved at the 67th meeting as well as a plan for the allocation of the remaining funding and for the completion of on-going activities.

India: Accelerated CFC production phase-out (second tranche) (World Bank)

Note from the Secretariat: This is a reprint of the previous document (UNEP/OzL.Pro/ExCom/66/38) with the exception of the last section on Issues raised at the 66th meeting of the Executive Committee and the Recommendations.

Background

9. On behalf of the Government of India, the World Bank had submitted the second and final tranche of the India CFC production sector phase-out programme for approval by the Executive Committee at its 61st meeting, and has resubmitted it to the 62nd, 65th, 66th, and 67th meetings. The amount being requested is US \$1,057,000 for the accelerated phase-out, plus support costs of US \$238,000 for the World Bank, together with a report on the annual programme achievements for the years 2010 and 2011.

10. The 2010 CFC production verification report was submitted to the 65th meeting. A summary of the submission is provided in Table 1.

Table 1

SUMMARY OF SUBMISSION

Country	India
Project title	Accelerated CFC production sector phase-out plan
Year of plan	2010 – 2011
Number of tranches completed	1
Number of tranches remaining under the plan	1
Ceiling for 2009 and 2010 CFC production (in metric tonnes)	0 metric tonnes
Total funding approved in principle for the Accelerated CFC production sector phase-out plan (including agency fees)	\$3.408 million
Total funding released as of Dec. 2009	\$2.113 million
Level of funding requested for Accelerated CFC production phase-out plan (APP)	\$1.057 million
Level of funding for support costs	\$238,000

11. The 2010 verification was carried out between 14 March and 6 April 2011 by Mukund M. Chitale and Company, Chartered Accountants. The verification report, which included an introduction and an executive summary, reported on each of the four CFC producers, and included annexes that defined the molecular weights and formulas for CFCs and HCFCs and provided certificates of analysis for the contaminated quantities.

2010 verification report and activities completed in 2011

12. At its 56th meeting, the Executive Committee approved an Agreement for the accelerated CFC production sector phase-out for India. In accordance with this Agreement, the Government of India committed itself to the cessation of CFC production in India as of 1 August 2008. The review reported on the achievement of the 2010 CFC production phase-out target.

13. The Government issued licenses under the CFC import and export management scheme in 2010 for four producers totalling 343.6 metric tonnes (mt) for the production of pharmaceutical-grade CFCs only. The producers sold, under licenses issued by the Government, 290.73 mt of CFCs to metered-dose-inhalers (MDI) producers plus 2.24 mt for export for MDI uses. The closing stock from 2010 production of 24.4 mt is of non-MDI grade, for which the producer was in the process of identifying suitable parties for sending the material for destruction. This is added to the 11.74 mt of contaminated CFCs reported previously for which the verification report included a chemical analysis showing that the

contamination was due to moisture, residue and acidity exceeding the specification and where the purity was lower than 99.85 per cent.

14. A summary of the CFC production by the four producers is shown in Table 2.

Table 2

SUMMARY OF CFC PRODUCTION BY PRODUCER (MT)

Producer	NFIL			CSL	GFL	SRF	Total
	CFC-11/12	CFC-113	CFC-113a	CFC-11/12	CFC-11/12	CFC-11/12	
Opening stock 01.01.2010	-	-	-	-	-	-	-
Gross production for quota	110.50	-	-	-	-	207.82	318.32
Sales return							
Handling losses	0.95						0.95
Other loss							
Sales in 2010 (domestic)	102.73					188.00	290.73
Sales in 2010 (export)	2.24						2.24
Closing stock 31.12.2010	4.58					19.82	24.40*

*Excludes 11.74 mt of contaminated CFCs reported previously.

15. The table indicates the overall results of the verification, with information on the opening CFC stocks, handling losses, gross production, sales return, sales in 2010, and closing stock. Decision 43/5 allowed the use of net saleable CFC production to measure the achievement of the target in the Agreement with India in years other than 2005 and 2007.

16. There was 318.32 mt of production of CFCs in 2010.

17. The report described the methodology employed in the verification, which included site visits and a random check of pertinent records for consistency in reported results. The production log books and the laboratory and analytical records were correlated for the sample days to assess whether the records were appropriately maintained for the products that had been produced. Samples from existing stocks were taken for gas chromatography analysis for product identification. The report also provided a list of data examined, and the verification team held discussions with the plant personnel. Based on their responses, subsequent checks on the records, if found necessary, were conducted.

18. The report provided observations and results of the visit to each plant. It included an overview on the history and technology of the plant, audit methodology, the sales records in 2010 and conclusions on the status of compliance with the allocated quota. The verification did not include HCFC-22 production data and data on other products using the same raw materials as CFCs (i.e. HF and CTC).

2010 imports

19. The Ozone Cell specified that it had not authorized any import of CFCs in calendar year 2010 as CFCs were made available to MDI manufacturers as per the essential use authorizations from domestic production.

2010 exports

20. During the course of the verification reports, the auditors noted that one producer had exported 2.24 mt of CFCs to Iran (Islamic Republic of) under specific purchase orders. The audit team reviewed the letter from the Government of Iran (Islamic Republic of) specifying that they had the necessary

permission to import CFCs. Based on an approval from the Ozone Cell, a CFC export license was issued by Foreign Trade to export 2.24 mt of CFCs to Iran (Islamic Republic of). The audit team has verified the documentation during the audit. The Secretariat received confirmation from the Government of the Islamic Republic of Iran of the import and quantities and its use to fulfil the approved essential use exemption as per decision XXI/4.

Technical assistance activities and policy measures

21. All technical assistance activities have been completed and relevant funds have been disbursed. These activities include: awareness, training/capacity building, data collection, operations of project management unit (PMU), monitoring, information exchange and studies. Policy measures were also implemented during the course of 2010 and 2011, at the amount of US \$199,000, and include: production quota licenses, registrations, and issuance of licenses.

Disbursement

22. Total disbursement under the original project was 100 per cent of the total project allocation of US \$82 million. This cumulative disbursement includes US \$80 million disbursed by 2010 for CFC producer compensation and US \$2 million for technical assistance activities.

23. Under the accelerated CFC production sector phase-out plan, the first tranche of disbursement amounting to US \$2.113 million was made to the four CFC producers in January 2012. The second payment will be released upon approval for disbursement by the Executive Committee, following review of all compliance requirements, including the CFC import audit.

Second tranche request

24. The World Bank indicated that the funding of US \$1,057,000 plus support costs associated with this second tranche is wholly comprised of the final payments due to the producers, which have successfully met their obligations for accelerated phase-out. There is no 2012 work programme envisaged under the project, therefore no other activities or costs are expected.

25. The remaining activities to be completed in 2012 are summarized in the following table:

Activity	Key Actions	Target date	Budget (US\$)
Accelerated CFC production sector phase-out plan, 2 nd tranche release	Release of funds from the Industrial Development Bank of India to producers, subject to Executive Committee approval.	April –May 2012	1,057,000

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

Signature of agreements and disposition of contaminated stock

26. As mentioned above, the present request was first submitted to the 61st meeting. It was also presented to the 62nd meeting at which time it was deferred for consideration until the 63rd meeting (decision 62/29). The report of the 62nd meeting states that “the representative of the World Bank indicated that the grant agreement, not signed to date, would be signed soon and that the stockpiled 11.74 mt of CFCs was contaminated. The availability of a destruction facility to destroy the CFCs was also an issue. It was felt that, under those circumstances, it was premature for the Committee to approve the request.” (UNEP/OzL.Pro/ExCom/62/62, para. 85).

27. In the context of the report on annual tranche submission delays presented to the 63rd meeting, the Committee decided to request the World Bank to work with the Government of India to expedite the signing of the agreements for the accelerated CFC production sector closure project as soon as possible to enable the second tranche of the agreement to be submitted to the 64th meeting (decision 63/12(c)). The Committee reiterated this decision at its 64th meeting (decision 64/3(b)).

28. The Bank indicated that the relevant agreements between the Government of India and the World Bank and between the Government of India and the producers have been signed, and payment for the first tranche, amounting to US \$2.113 million was made to the producers in January 2012. The second instalment, amounting to US \$1.057 million will be released upon approval of the Executive Committee.

29. The other issue raised in the context of the 62nd meeting was the availability of a destruction facility for the 11.74 mt of contaminated CFCs. The CFC producer submitted, through the Government of India, the results of the chemical analysis conducted by its Quality Assurance Department that confirmed that the remaining highly contaminated stock of 11.74 mt was non-sellable.

Compliance with decision 56/63

30. The total level of production is confirmed to be consistent with the accelerated CFC production phase-out plan agreement (Annex XVII to the report of the 56th Executive Committee meeting and decision 56/63). The auditors verified that the production of pharmaceutical-grade CFCs was solely for the purpose of meeting approved essential use authorizations as per decision XXI/4 of the Twenty-first Meeting of the Parties, including the 2.24 mt of CFCs exported to Iran (Islamic Republic of). The Government of India has already fulfilled its commitments under paragraph 2(a)-(g) of the Agreement between India and the Executive Committee of the Multilateral Fund for the accelerated production phase-out. The verification report also confirms that the total CFC production for essential use in 2010 is not excessive as it is well within the quantity approved by the Parties. The World Bank indicated that on the basis of these facts, the annual tranche should be approved because the decision states that “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” (paragraph 8 of the Agreement).

Import customs data

31. Decision 59/18 stated with respect to the approval of the first tranche of the Accelerated CFC production phase-out that the World Bank and the Government of India were requested to ensure that customs records were available to auditors for the next import audit report associated with the final funding tranche. The Ozone Cell specified that in 2010 no licenses had been issued and imports had been nil. The World Bank indicated that it had hired an independent audit team to verify the customs records, which are to be provided by the Ozone Cell, and that a short report on the verification would be shared with the Multilateral Fund Secretariat prior to the 66th meeting.

Implementation of decision 60/47

32. Decision 60/47(b)(vii) requires that the 24.4 mt of non-pharmaceutical-grade CFCs should have been destroyed and documentation on the transport, storage, and disposal should be provided as part of the current verification report. The Bank reiterated what was indicated in the verification report and at the 65th meeting, namely, that the two companies involved indicated to the auditors that they were “in the process of identifying suitable parties for sending this material for incineration” and that “the producing country agreed to limit the production of non-pharmaceutical specification grade CFCs to the extent possible and pay for their destruction”. As of March 2012, the World Bank was not able to confirm whether the non-pharmaceutical-grade CFCs had been destroyed. The Executive Committee may wish to take this fact into consideration when considering the approval of the tranche request.

Issues raised at the 66th meeting of the Executive Committee

33. Members raised questions regarding a number of issues primarily concerning documentation on CFC destruction, as called for in decision 60/47, and on production closure and dismantling, as called for in decision 54/37(d). Consultations were held among the interested parties, during which a path forward was defined with regard to the actions that needed to be taken in order to release the last tranche at the 67th meeting of the Executive Committee or later in 2012. The United States delegation offered to cooperate with the Government of India and relevant enterprises to facilitate the process in the intervening time. The Fund Secretariat requested an update from the World Bank since the 66th meeting, but at the time of writing no progress has been reported. The Executive Committee may wish to request a report from the World Bank at the 67th meeting.

RECOMMENDATIONS

34. The Executive Committee may wish to consider:

- (a) Requesting a report from the World Bank on the status of the CFC destruction per decision 60/47 and production closure and dismantling as called for in decision 54/37(d); and
- (b) Whether based on the report of the Bank to approve the request for the second and final tranche under the accelerated CFC production sector phase-out plan in India at the amount of US \$1,057,000 plus agency support costs of US \$238,000 for the World Bank.

INDIA

CFC Production Sector (ODS III)

**Request for Approval of the 2nd and Final Tranche
under the Accelerated CFC Phase Out Plan**

Submitted by

The World Bank

March 2012

**(Resubmitted May 2012 following deferral by the
Executive Committee – Dec 66/26)**

INDIA

CFC PRODUCTION SECTOR (ODS III)

Request for Approval of the 2nd and Final Tranche under the Accelerated CFC Phase Out Plan

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INDIA

CFC PRODUCTION SECTOR (ODS III)

Request for Approval of the 2nd and Final Tranche under the Accelerated CFC Phase Out Plan

A. INTRODUCTION

1. At its 54th Meeting in April 2008, the Executive Committee of the Multilateral Fund decided 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. The Agreement for the Accelerated CFC production phase-out (ACPP) for India was approved by the Executive Committee at its 56th Meeting in November 2008. The phase-out schedule agreed in the ACPP supersedes the schedules provided in the CFC Production Sector Gradual Phaseout Project approved through Decision 29/65 of the Committee.

2. This document is in support of the request, on the behalf of the Government of India, for approval by the ExCom of the second and final tranche under the ACPP, for a total of \$1,057,000 plus Agency support costs of \$238,000, as all requirements as per the Agreement have been met. This follows the deferral of consideration of this request by the Executive Committee at earlier meetings, including to allow the “the World Bank to work with the Government of India to expedite the signing of the agreements for the accelerated CFC production sector closure project”.

3. The funding associated with this second tranche release is wholly comprised of the final payments due to the producers which have successfully met their obligations for Accelerated Phase-out. There is no 2012 work program under the project as all Technical Assistance (TA) activities have been completed, and all TA funds have been disbursed.

4. Since the last Annual Work Program that was submitted by the World Bank included a description of achievements in 2009, this document also provides a brief overview of the completed activities in 2010 and 2011. The document further discusses how some previous relevant Executive Committee decisions and points raised by the Fund Secretariat have been addressed, and the modalities for disbursements to the producers.

B. ANNUAL PROGRAM ACHIEVEMENTS DURING 2010-2011

B.1 CFC Production Phase-out

5. The ACPP required the Government of India (GOI) to revise its CFC production phase-out schedule with the understanding that India will:

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

- (ii) CFC producers would sell no more than 825 metric tons of CFCs for MDI production in the years 2008 and 2009, comprising 690 metric tons of new production and 135 metric tons reprocessed from existing stock;
- (iii) export 1,228 metric tons of CFCs no later than 31 December 2009 and
- (iv) not import new/virgin CFCs of any kind.

B.2 2009 Verification Report

6. The CFC production audit of CY2009, related to the original request for approval of 2nd tranche funding, confirmed the compliance with ACCP, as detailed in table below:

Contents of Clause 2 of Annex 1	Compliance
(a) India would produce no more than 690 MT of CFCs, primarily for the manufacturing of metered-dose inhalers (MDIs) up until 1 August 2008.	673.87 MT of CFC was produced in CY2008. There was no production of CFC in CY2009.

(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;	Sale to MDI Sector (Qty. (MT))		
		2008	2009
	CFC 11	139.930	43.457
	CFC 12	355.845	158.725
	Total	495.775	202.182

(c) India would export 1,228 MT of CFCs no later than 31 st December 2009;	Export of CFC (Qty. (MT))			
		2008	2009	Total
	CFC 11	16.010	49.058	65.068
	CFC 12	439.627	610.797	1050.424
	Total	455.637	659.855	1115.492*

NOTE:

The amount that should have been exported as per the ACCP agreement was 1228 MT at the end of 2009. However the amount actually exported was 1115.492MT. The difference is accounted as given below.

Difference in Actual quantity produced as against the quota:	16.13 MT
Loss declared by the Companies in CY 2008	13.79 MT
Loss declared by the Companies in CY 2009	64.61 MT
Quantity drawn from the stockpile for domestic sale to MDI	6.5 MT
Closing stock of CFC as on 31.12.2009	<u>11.74 MT</u>
	112.57MT

(d) India would not import any new virgin CFCs	None of the CFC producing units has imported any new virgin CFCs in 2008 and 2009
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(e) Any by-product non-pharmaceutical grade CFCs generated from the production under (a) are counted	The CFC Producing units sold some CFCs to Service sector in 2008 but none in 2009.
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against the limit in row 2 of Table 1 in Appendix 1 and could be released to the market;		
	Sale to Service Sector during 2008	
	Particulars	Qty. (MT)
	CFC 11	22.291
	CFC 12	100.092
	Total	122.383

7. As indicated in the Table above, there was a stockpile of 11.74 MT of CFCs remaining at one of the CFC producers. The World Bank clarified at the time that the remaining CFCs were highly contaminated and non-sellable.

B.3 Chemical Characterisation of Contaminated Stock

8. In order to confirm that the remaining highly contaminated stock of 11.74 MT was non-sellable, the CFC producer (Navin Fluorine International) submitted, through the Government of India, results of the chemical analyses conducted by its Quality Assurance Department, appended herewith. A chemical analysis was carried out for CFCs contained in each of the five containers. The results can be summarized as follow:

Chemical	Container	Quantity (MT)	Result
CFC-12	I	1.8624	Moisture, residue and acidity exceed the specification. Purity is lower than 99.85%
CFC-12	II	3.6	Moisture, residue and acidity exceed the specification. Purity is lower than 99.85%
CFC-11	III	1.5142	Moisture, residue and acidity exceed the specification. Purity is lower than 99.80%
CFC-113a	IV	0.128	Moisture, residue and acidity exceed the specification. Purity is lower than 99.5%
CFC-113	V	4.639	Moisture, residue and acidity exceed the specification. Purity is lower than 99.0%
Total		11.7436	

For more detailed results of the analyses, please refer to the documents appended herewith.

B.4 2010 Verification Report

9. An independent technical and financial verification report of CFC production for CY 2010 was submitted to the 65th meeting of the Executive Committee pursuant to Decision 60/47 of the Executive Committee regarding production for essential use. It should be noted that Decision 60/47 relates to the exceptional authorization for production for export of pharmaceutical-grade CFCs for 2010, and is not directly related to the Accelerated CFC production phaseout plan.

10. With regard to this audit of 2010 essential use CFC production campaign, the audit team reported closing stock, amounting to 24.40 MT of non-pharmaceutical-grade CFC. The audit report stated that the two companies involved indicated to the auditors that they were “in the process of identifying suitable parties for sending this material for incineration”, in line with Decision 60/47(d)(ii) that “The producing country agreed to limit the production of non-pharmaceutical specification grade CFCs to the extent possible and pay for their destruction”.

B.5 Customs Records

11. Customs records were made available to the auditors as per the Independent Verification of CFC Imports for CY2009 which was prepared pursuant to the qualification in the approval for release of the first tranche of funding (Decision 59/18, in Annex V of the meeting report) that “The World Bank and the Government were requested to ensure that Customs records are available to auditors for the next import audit report associated with the final funding tranche of the Accelerated Phase-out Plan to be submitted to the 61st Meeting of the Executive Committee.”

12. This condition for verification of customs records was met with the report being submitted for consideration with the initial request for funding of the second tranche of the ACPP that was submitted for the 62nd meeting, and was deferred as noted above. For CY2010, the Ozone Cell indicated that no licenses had been issued and imports had been nil. To verify the customs records which are to be provided by the Ozone Cell, the World Bank has hired an independent audit team and a short report on the same will be shared with the Multilateral Fund Secretariat ahead of the 66th meeting.

B.6 Policy Measures

13. Policy measures which were implemented during the course of the past two years are summarized below:

Activity	Key Actions	Status in 2011
Production Quota licenses	Not Applicable since production has ceased since August 2008.	Nil
Registrations	Applications for registrations from sellers, stockists, dealers and buyers of CFC will be examined and submitted to Ozone Cell, MOEF.	Last date for registrations was 31 st Dec 2009. No new registrations were done.
Issuance of Licenses	Applications for import and export of CFCs will be examined after which the Ozone Cell will submit recommendations for issuance of bulk licenses for export by CFC producers and import licenses to DGFT ¹ . Ozone Cell will take into account information received on registered importers in importing countries when considering issuance of export licenses.	Licenses for export of CFCs from stockpile were issued to ensure zero stock at the end of 2009.

¹ Directorate General of Foreign Trade

B.7 Technical Assistance Activities²

Activity	Key Actions	Status	Actual Spent
Awareness	<p>India Success Story developed, published and disseminated; and publication of booklet on CFC production phase-out targeting CFC users and consumers</p> <p>Support to Chiller Energy Efficiency project for awareness and technical information workshops to CFC-based Chiller owners</p>	<p>Success Story 2009 and 2010 were published and disseminated on the occasion of Ozone Days of both years; the booklet is under preparation and will be published in 2012</p> <p>PMU was involved in substantive discussions with project team and with public sector enterprises using CFC based chillers. The Chiller project was approved by Bank Board in June 2009 and since then Ozone Cell has supported the marketing and monitoring efforts</p>	<p>50,000</p> <p>Included in “operations of PMU”</p>
Training/ Capacity building	<p>Workshops in high CFC consuming states on awareness of CFC production closure.</p> <p>Targeted skills training and awareness for Customs and border officials</p>	Activities were completed	49,000
Data Collection	<p>Data Management and compilation of CFC data used for MDIs as procured from CFC producers</p> <p>Strengthening information exchange on CFC exports through iPIC</p>	<p>Data triangulation system is in place with support and regular data flow from DGFT, DRI³, DGCIS⁴ and Department of Customs.</p> <p>The PMU has been clearing export/import requests from other countries after verifying the requisite details.</p>	Included in “operations of PMU”
Operations of PMU	<p>Daily operations and overhead costs of PMU.</p> <p>Support for Article 7 Data reporting including management of CFC imports for EUNs</p> <p>Regular monitoring meetings</p>	On-going activities.	100,000

² These Technical Assistance activities correspond to funding previously approved and released by the Executive Committee for Technical Assistance, and are managed by UNEP.

³ Department of Revenue Intelligence

⁴ Directorate General of Commercial Intelligence Statistics

Activity	Key Actions	Status	Actual Spent
	held with relevant stakeholders, including CFC and CTC producers for stringent monitoring Web-accessed database system for data triangulation and centralized MIS system for cohesive data compilation for ODS		
Total disbursed in 2010 and 2011			199,000

B.8 Monitoring and Reporting

Reporting was as detailed below:

Report	By	Target Date	Comments
Supervision report	World Bank	Bi-annually	Supervisions undertaken and satisfactory reports prepared and disseminated.
Progress report	UNEP	Bi-annually	Reports received from UNEP in 2010 and 2011.
Financial Audit Report	UNEP	June	Satisfactory extract of UNEP's Annual Audited Accounts received; Regular financial reports received on a timely and satisfactory basis
Disbursement Report	IDBI	Bi-annually	Satisfactory reports received on a timely basis
Financial Audit Report	IDBI	September	Satisfactory reports received
Technical Audit	World Bank	April 2011	Satisfactory audit undertaken by independent auditor and report reviewed in May 2011; CFC import audit undertaken in CY2010 and CY2012

C. DISBURSEMENTS

C.1 CFC Production Gradual Phaseout Project

14. Total disbursement under this project was 100% of the total project allocation of US\$ 82 million. This cumulative disbursement includes US\$ 80 million disbursed under the CFC producer compensation and US\$ 2 million for Technical Assistance activities. The expenditures on TA activities for 2010-2011 are highlighted in section B3 above.

C.2 Accelerated CFC Production Phaseout Plan

15. As CFC production has stopped, the GOI will not be issuing production quotas for 2012. As noted, there are no further activities of any sort envisaged to take place during 2012, beyond the disbursement to the producers of the full funding available under the 2nd tranche of the ACP, according to performance that has been met.

16. The relevant agreements between the Government of India and the World Bank and between the Government of India and the producers have been signed, and payment for the first tranche, amounting to US\$ 2.113 million was made to the producers in January 2012. The second installment, amounting to US\$ 1.057 will be released upon approval of the ExCom.

C.3 Modalities for Disbursements

17. The CFC gradual phase out project is implemented through a number of inter-related agreements: (i) a Project Agreement between the World Bank and the Government of India which governs the overall project framework and respective obligations and fiduciary responsibilities of the Government of India and the World Bank as an implementing agency of the Fund; (ii) a Grant Agreement between the World Bank and the Industrial Development Bank of India (IDBI) that is directly charged with disbursing funds to the Producers, on the instruction of the World Bank following the request of the Government of India; (iii) Performance agreements reflecting phase out targets and other conditions between the Government of India and the Producers; and (iv) Sub-grant agreements between each of the Producers and IDBI, to effect payment. The flow of resources is from World Bank to IDBI to the Producers. The World Bank directly contracts independent auditors to conduct verification to the effect that performance agreements have been met by the Producers, as discussed above, and these are submitted for the consideration of the Executive Committee prior to approval and release of Tranche funding. This set-up ensures that while on the one hand there is significant oversight and control over decisions to release funding, on the other hand payments can be made rapidly by the IDBI bank once the request to do so has been cleared.

18. The US\$80 million approved for CFC producers under the CFC Gradual Phaseout Project was satisfactorily disbursed to all CFC producers by 2010. Under the Accelerated CFC Phaseout Plan, the first tranche of disbursement was made to the four CFC producers in January 2012. The second payment will be released upon approval for disbursement by the ExCom, upon review of all compliance requirements, including the CFC import audit.

19. The remaining activities to be completed in 2012 are summarized in the following table:

Activity	Key Actions	Budget (US\$)
CFC Accelerated Plan 2nd Tranche Release	IDBI release of funds to Producers, subject to ExCom approval.	1,057,000