EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-eighth Meeting
Montreal, 3-7 April 2006

Addendum

PROJECT PROPOSALS: CHINA

This addendum is issued to reflect additional information received from the World Bank concerning the two following projects subsequent to the dispatch of the documentation for the 48th Meeting of the Executive Committee.

Process agent

- Phase out the production and consumption of CTC for process agent and other non-identified uses (Phase I): 2006 annual programme  
  World Bank

- Phase out the production and consumption of CTC for process agent and other non-identified uses (Phase II): 2006 annual programme  
  World Bank

1. Subsequent to the dispatch of the documentation for the 48th Meeting of the Executive Committee, the Secretariat received a response from the World Bank on its comments regarding the verification of the 2005 work programme of China’s sector plan for phasing out the production of CTC for controlled uses, and the consumption of CTC and CFC-113 as process agents (Phase I). The World Bank’s submission included an update on the result of the implementation of phasing out CTC and CFC-113 as process agents (Phase I). This addendum has been issued to present the response from the World Bank and to provide the Secretariat’s recommendation on the project.

2. The World Bank reaffirmed that the data for CTC used as feedstock for non-ODS chemicals were all reported and confirmed by the State Environmental Protection Administration (SEPA) based on quota issued and on reports by companies, and that the Bank was not involved in any verification to confirm the correctness of non-ODS feedstock data correctness.

3. The World Bank noted the difference between the two sets of data reported by SEPA, namely 8,586.81 MT reported in January 2006 and 12,997.1 MT reported in February 2006. Upon enquiry, the World Bank was informed that “the additional non-ODS uses of CTC were associated with the new PA applications tentatively listed by the Parties and treated as feedstock.” The Bank provided two lists of feedstock applications for non-ODS chemicals. The first one was the same list as provided in Table 2-1 in the CTC production part of the verification, with a total reported CTC purchase of 8,586 MT in 2005. The second one was the list of feedstock uses by new feedstock consuming companies, with information on the name of the enterprise, product or application and CTC purchased in 2005. The total CTC purchased in 2005 according to this second list was 4,410.3 MT. The list was available only in Chinese, which the Secretariat was advised was being translated into English. In compliance with the request from SEPA, the list was not distributed due to commercial confidentiality.

4. With regard to the process and criteria followed by SEPA in undertaking the verification of such feedstock applications, the World Bank provided the following information:

“As soon as the Process Agent (Phase I) project was approved in 2002, China expanded the existing ODS production quota systems to include CTC production as well. Under the quota system, each producer has been assigned an initial CTC production quota based on their historical production. New producers established after the approval of PA I are not eligible for any CTC production quotas and will have to either use it for feedstock for the production of other chemicals or disposed it with technologies that are recognized by the Parties to the Montreal Protocol.

Due to the significant amount of unavoidable co-production of CTC by chloroform plants and the cost of disposal, SEPA has recognized the significant risk of unauthorized uses of CTC. In order to control the sales and uses of CTC, SEPA introduced in 2004 a new quota system for sales and purchases of CTC. In accordance with the sales and purchase regulation, any company who wants to sell or purchase CTC must register with SEPA, obtain a quota each.
year and then report their sale/purchases to SEPA. From an initial list of the producers, PA I and II process agent companies and known feed stock users, the list of companies have expanded since this new system has been put in place. With the large number of companies producing, selling and using CTC, this has been a developing process where new companies have signed up when they learned that they could not purchase CTC without a registration with SEPA.

When a new CTC using company requests a license to procure CTC, SEPA obtains information on the chemicals that are being produced, the annual amount of CTC used, and CTC used per kg of the chemical produced. Before issuing the procurement licenses, the companies might be visited by experts and the production and consumption verified. In addition to controlling the use of CTC, it has also been a useful way to identify CTC traders and CTC using companies. Companies with sales and purchase licenses are required to report their annual sales and purchases to SEPA, who again verify the information by random spot checking.

When the Bank planned the 2005 CTC production verification, December 2005, we requested an update of the table on feedstock uses. SEPA in fact provided the list for this mission. Unfortunately, it seems that the table provided to the Bank only included an update of the CTC using companies who were listed in the previous verification, but not new CTC using companies added in 2005.

At the 17th meeting of the Parties to the Montreal Protocol in December 2005, 28 new potential process agent applications were added to the list of 39 process agents. As many of them are expected to be found in China, SEPA initiated a survey on the new applications and their CTC consumption in January 2006. This survey is still ongoing.”

COMMENTS

5. As is explained in the original document, the difference between the two sets of data reported by SEPA regarding CTC used as feedstock for non-ODS chemicals is approximately 4,800 ODP tonnes, which could impact the standing of China with regard to its compliance under the Montreal Protocol for CTC production and consumption in 2005. The World Bank has provided information on the process that was adopted by SEPA to verify the feedstock uses of CTC for non-ODS chemicals. Such is the requirement under decision 44/29 where the Executive Committee requested SEPA to conduct such verifications and report feedstock uses to the Ozone Secretariat. The World Bank has also provided the list of the new feedstock uses in Chinese, however the Secretariat has not been able to check the list against the list of additional process agent applications approved at the Seventeenth Meeting of the Parties.

Phase-out targets of 2006 annual work programme for Phase I

6. The Executive Committee approved the 2006 annual work programme for Phase I of the sector plan at its 47th Meeting but withheld the funds pending verification of the 2005 work programme. The approval of Phase II of the sector plan necessitates the revision of one of the phase-
out targets for Phase I in 2006. This relates to the adjustment of the maximum allowable CTC production in 2006 from the original 32,044 ODP tonnes to 28,618 ODP tonnes.

RECOMMENDATIONS

7. The Executive Committee may wish to:

(a) Consider releasing the 2006 tranche of the CTC sector plan (Phase I) of US $16 million and the associated support costs of US $1.2 million if satisfied with the process and procedure reported by SEPA on conducting verifications of CTC feedstock applications for non-ODS chemicals;

(b) Approve the revision of the maximum allowable CTC production target in the 2006 annual work programme of the sector plan (Phase I) to 28,618 ODP tonnes; and

(c) Request the World Bank to provide an update in its 2007 annual work programme on the further actions to be taken to reduce the emission level for chlorosulphonated polyefin (CSM) at Jilin Chemical, in view of the lack of success so far.
PHASE OUT THE PRODUCTION AND CONSUMPTION OF CTC FOR PROCESS AGENT AND OTHER NON-IDENTIFIED USES (PHASE II):
2006 ANNUAL PROGRAMME

8. Subsequent to the dispatch of the documentation for the 48th Meeting of the Executive Committee, the Secretariat received from the World Bank its response to the comments of the Secretariat on the proposed 2006 annual work programme and the draft Agreement for the China sector plan on phasing out ODS process agent applications and the corresponding CTC production (Phase II). This addendum is issued to reflect this response and the recommendations of the Secretariat on the project. The revised draft Agreement is attached.

Draft Agreement

9. The World Bank accepted the texts proposed by the Secretariat to address the provisos (b) and (c) in decision 47/54 relating to the non-prejudice nature of the approval of Phase II to the determination by the Parties of residual levels of emissions of process agent applications by Article 5 countries, and the commitment not to seek additional assistance for possible reduction of emissions from certain process agent (PA) applications, namely chlorinated polypropylene (CP) and chlorinated ethylene-vinyl acetate (CEVA) under Phase II. It also agreed to the revised text on the flexibility clause consistent with decision 46/37. The annual maximum consumption of CTC for controlled uses between 2006 and 2009 for Phase II was revised from 7,892 ODP tonnes to 6,945 ODP tonnes, consistent with the original project proposal.

10. However, the World Bank advised that it would wish to keep the two phases of the sector plan separate and did not agree with the Secretariat’s proposal for combining the two phases. While the argument on the time gap might be correct, namely that Phase I has been under implementation for 3 years and Phase II was just beginning, the other reasons cited could imply a different understanding of the obligations under the proposed draft Agreement.

11. One of the arguments cited for not including the CTC consumption target from Phase I and the one for CFC production in the draft Agreement is “that the CTC consumption target for Phase I and CFC production will be verified under the specific agreements other than the Phase II agreement and the non-identified uses cannot be verified technically.”

12. It is assumed that “the specific agreement other than the Phase II Agreement” refers to the Agreement under Phase I. It should however be clearly understood that the targets under Phase I should have been updated by the approval of the Phase II targets. The exact purpose of Phase II is to further reduce the consumption of CTC from those PA applications which were still allowed under Phase I, as well as the associated CTC production, and enable China to bring down its CTC production and consumption in compliance with the Montreal Protocol requirement. Therefore the maximum allowable CTC production target for 2006 for example should no longer be 32,044 ODP tonnes as stipulated in the Agreement under Phase I, but should represent the sum of the maximum amount allowed for CFC production for Phase I plus the maximum amount allowed under the Montreal Protocol for controlled uses. This figure should therefore be: 21,276 ODP tonnes (feedstock for CFC production) plus 7,342 ODP tonnes equals 28,618 ODP tonnes. The correct numbers for 2006-2010 should be as follows:
13. Another area which requires clarification relates to the non-identified CTC uses. In the revised version of the draft Agreement, Appendix 2-A includes row 5 which provides for a level of 945 ODP tonnes for each year in 2006-2009 under “non-identified CTC uses”. The 947 ODP tonnes is the maximum allowed for this item within the Montreal Protocol compliance level of 8,383.65 ODP tonnes after deducting the consumption cap of 493 ODP tonnes under Phase I and the consumption cap of 6,945 ODP tonnes under Phase II.

14. In spite of the provisos in decision 47/54 referred to in para. 9 above, Appendix 2-A includes row 6 for “potential new process agent applications of CTC”. According to the footnote, this row would accommodate the outcome of the reconfirmation of the new process agent applications at the Nineteenth Meeting of the Parties in 2007 as required by decision XVII/6. This relates specifically to the understanding of paragraph 3 of decision XVII/6, which reads:

“To note that the process agent applications listed in decision XVII/8 are to be considered as process agents uses in accordance wit the provisions of decision X/14 and are to be confirmed as process agents at the 19th Meeting of the Parties in 2007 based on the information reported in accordance with paragraphs 1 and 2 of the present decision.”

According to the interpretation of the Government of China of decision XVII/6, the interim list of uses of controlled substances as process agents in Table A-bis under decision XVII/8 do not become controlled uses until the Nineteenth Meeting of the Parties reconfirms them as such. Therefore for 2006 and 2007, row 6 has “not applicable” in each year, and becomes “to be decided” for 2008 and beyond. Depending on the outcome of the Nineteenth Meeting of the Parties, China would collect information on these new applications. It is also China’s expectation that a two-year grace period would be requested by China at the Nineteenth Meeting of the Parties to allow them to deal with the CTC production/consumption arising from these new applications.

15. The Fund Secretariat consulted the Ozone Secretariat on whether the process agents uses listed in decision XVII/8 are controlled uses with respect to Article 5 Parties, and in the light of decision XVII/6. The Ozone Secretariat stressed that it was the Parties that had the authority to interpret the decisions of the Meetings of the Parties, but that a literal reading of decision XVII/6 would appear to indicate the following:

“Until the 19th MOP, A5 ODS consumption/production for the applications listed in decision XVII/8 may be excluded from the calculation of an A5's controlled consumption/production but, in accordance with decision X/14, this exclusion can only take place under the following conditions:

1. Emissions from the PA application are reduced to levels agreed with the ExCom, per para 3(b) of decision X/14; or
2. Where the plant is installed/commissioned after 30 June 1999, the use is exempted by a MOP decision per para. 7 of decision X/14.

If 1 or 2 above are not met, the uses are not covered by the exclusion in decision X/14, and may therefore be considered controlled uses, to be included in the calculation of an A5’s controlled consumption or production levels.”

16. The understanding of the Ozone Secretariat differs from that of the Government of China. According to the Ozone Secretariat’s understanding, China must be able to reduce the CTC emission of these new PA applications to a level agreed by the Executive Committee in order to be able to enable the CTC consumption associated with these applications to be excluded from the controlled consumption/production.

17. However, based on the description in the draft Agreement this does not seem to be the situation with regard to these applications because the last footnote in Appendix 2-A says that “China will collect information on the use of CTC by companies using processes covered by the new process agent applications when the applications have been confirmed by the Parties.” If SEPA still does not have information on the users of such applications, the chances that these applications have already achieved the emission control required may not be very strong.

18. The understanding of decision XVII/6 by the Ozone Secretariat has implications for the draft Agreement. First, the interim list in decision XVII/8 is applicable immediately in 2006 for China. Therefore, if these applications exist in China, they would need to be treated as controlled uses and the associated consumption should be included in the allowed consumption under the Montreal Protocol starting in 2006.

19. Secondly, if the associated consumption from the new applications is below 947 ODP tonnes in 2006, which is the maximum reserved for non-identified CTC uses under row 5, China would be able to maintain its compliance status in 2006. However, if the associated consumption from these new applications exceeds 947 ODP tonnes, China would be facing non-compliance in 2006.

RECOMMENDATIONS

20. The Secretariat recommends that the Executive Committee may wish to:

(a) Clarify, if necessary through establishing an open-ended contact group at the 48th Meeting, the appropriate understanding of decision XVII/6 of the Seventeenth Meeting of the Parties in view of the implications of the decision on the draft Agreement of China CTC Phase II;

(b) Provide a course of action to the World Bank on finalizing the draft Agreement for submission to the 49th Meeting; and

(c) Defer the approval of the 2006 annual work programme of Phase II till the 49th Meeting when the final Agreement is submitted.

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DRAFT AGREEMENT BETWEEN CHINA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF ODS PROCESS AGENT APPLICATIONS (PHASE II)

1. This Agreement represents the understanding of China and the Executive Committee with respect to the complete phase-out of production and consumption for controlled uses of the ozone depleting substances set out in Appendix 1-A ("The Substance and PA Applications") prior to January 1 of 2010, in compliance with Protocol schedules.

2. The Country agrees to phase out the production and consumption for controlled uses of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A ("The Targets, and Funding") under 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. The Country will reduce the residual emissions from the process agent applications for the production of chlorinated polypropylene (CPP) and chlorinated ethylene-vinyl acetate (CEVA) addressed in the phase II CTC sector plan to levels that might be agreed in future by the Parties without requesting additional assistance from the Multilateral Fund and the Agreement is entered into without prejudice to the determination by the Parties of maximum residual levels of emissions for process agent applications by Article 5 Parties.

4. If, during implementation of the phase II CTC sector plan, or at any time thereafter, China discovers applications, tonnes of CTC and/or uses (including new process agent categories) of CTC not otherwise explicitly covered in the phase II CTC phase-out sector plan, China commits to phase them out in a manner consistent with the phase-out schedule included in this Agreement at no additional cost to the Multilateral Fund.

5. Subject to compliance with the following paragraphs 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 7 of Appendix 2-A ("The Targets, and Funding") to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A ("Funding Approval Schedule").

6. The Country will meet the production and consumption limits of CTC as indicated 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 10 of this Agreement.

7. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 8 weeks
prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) That the Country has met the Targets for the applicable year;

(b) That the meeting of the Targets set in row 4 in table in Appendix 2-A has been independently verified as described in paragraph 10; and

(c) That the Country has substantially initiated 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 ("Format for Annual Implementation Programmes") in respect of the year for which funding is being requested.

8. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") 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 10.

9. 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 categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub paragraph 7 (d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual programme.

10. 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 has agreed to be the lead implementing agency ("Lead IA") 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 rows 8 of Appendix 2-A.

11. Should the Country, for any reason, exceed the CTC production and consumption limits given in Appendix 2-A 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 Approval Schedule. In the discretion of the Executive Committee, funding will be reinstated according
to a revised Funding Approval 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 Approval 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 the amount exceeding the Maximum Allowable CTC Production and Consumption limit (Appendix 2-A) in any one year.

12. 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 ODS sector projects or any other related activities in the Country.

13. 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 the Lead IA with access to information necessary to verify compliance with this Agreement.

14. 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-A THE SUBSTANCES AND PA APPLICATIONS

The ozone-depleting substance to be phased out under the Agreement is CTC production (Annex B, Group II) and ODS consumption for the following process agent applications (see Decision XV/6 of ExCom (UNEP/OzL.Pro.15/9).

<table>
<thead>
<tr>
<th>No.</th>
<th>Process agent application</th>
<th>Substance</th>
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<tbody>
<tr>
<td>19</td>
<td>Production of Cyclohexane</td>
<td>CTC</td>
</tr>
<tr>
<td>20</td>
<td>Production of chlorinated polypropene</td>
<td>CTC</td>
</tr>
<tr>
<td>21</td>
<td>Production of chlorinated EVA</td>
<td>CTC</td>
</tr>
<tr>
<td>22</td>
<td>Production of methyl isocyanate derivatives</td>
<td>CTC</td>
</tr>
<tr>
<td>23</td>
<td>Production of 3-phenoxy bezaldehyde</td>
<td>CTC</td>
</tr>
<tr>
<td>24</td>
<td>Production of 2-chloro-5-methylpyridine</td>
<td>CTC</td>
</tr>
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<td>25</td>
<td>Production of Imidacloprid</td>
<td>CTC</td>
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<tr>
<td>26</td>
<td>Production of Buprofolenzin</td>
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<td>27</td>
<td>Production of Oxadiazon</td>
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<td>28</td>
<td>Production of Chlordized N-methylaniline</td>
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</tr>
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<td>29</td>
<td>Production of Mefenacet</td>
<td>CTC</td>
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<td>30</td>
<td>Production of 1,3-dichlorobenzothiazole</td>
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<tr>
<td>31</td>
<td>Brominated styrenic polymer</td>
<td>BCM (bromochloromethane)</td>
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APPENDIX 2-A  THE TARGETS, AND FUNDING

<table>
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<tr>
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<td>1. Max allowed CTC production for</td>
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<td>7,342</td>
<td>7,342</td>
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<td>consumption under the MP</td>
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<td>2. Max allowable CTC consumption as</td>
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<td>per the Montreal Protocol control</td>
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<td>measures</td>
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<td>3. Max allowable CTC consumption for</td>
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<td>4. Max allowable CTC consumption for</td>
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<td>5. Non identified CTC uses</td>
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<td>6. Potential new Process Agent</td>
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<td>Applications of CTC</td>
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<td>TBD*</td>
<td>TBD</td>
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<td>7. MLF Funding for Phase II</td>
<td>25,000</td>
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<td>8. Agency support costs for Phase II</td>
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<td>750</td>
<td>750</td>
<td>112.5</td>
<td>3,487.5</td>
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Note: 1. Provided emissions are accepted by the Parties as eligible, under decision X/14.

* The allowed CTC production for consumption includes the additional production of 10% of base level allowed for basic domestic need from 2005 to 2009 and 15% from 2010.

** The Bank will verify consumption by companies and applications covered by the PA II Sector Plan (Row 4). The annual verification will cover a random selection of at least [30%] of all enterprises covering at least [30%] of the PA II consumption,

*** Consistent with Decision XVII/6 of the Parties to the Montreal Protocol, potential new process agent applications will be considered consumption from 2008 in accordance with decisions to be taken at the 19th meeting of the Parties to the Montreal Protocol in 2007.

**** China will collect information on the use of CTC by companies using processes covered by the new process agent applications when the applications have been confirmed by the Parties.

APPENDIX 3-A  FUNDING APPROVAL SCHEDULE (US$'000)

1. Funding other than the payments in 2006, will be considered for approval at the second meeting of the year of the annual implementation plan. The agreed funding level for each year is shown in row 7 in Appendix 2-A.

APPENDIX 4-A- FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES
The 2006 AP of the CTC/PA sector plan (phase II) submitted with the PA II Sector Plan is consistent with the agreed format for Annual Programs. This format will be used for following years Annual Implementation Programs.

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1) PMO is the core organization for monitoring the implementation of PA II Sector Plan with the responsibility for reporting to the World Bank. PMO will be responsible for monitoring implementation of policy measures and technical assistance activities and for submitting quarterly progress reports to the Bank.

2) DIA will assist PMO in managing implementation of PA II Sector Plan and will submit quarterly reports to PMO.

3) The implementation status of the PA II Sector Plan will be reported to ExCom once a year through the Annual Programs.

4) The Bank will supervise the implementation of Annual Programs and will have access to any ongoing and completed activities, including random visits to PA enterprises and CTC producers under the PA II Sector Plan.

APPENDIX 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document along the lines of 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 of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee;
(f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate 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 Target;

(j) Ensuring that disbursements are made to the Country in a timely and effective manner; and

(k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A  REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by [US $ 1,000] per ODP tonne of reductions in production and consumption not achieved in the year.