Annex VI

AGREEMENT FOR PHASE-OUT OF CFCs IN THE REFRIGERATION (MANUFACTURING) SECTOR IN INDONESIA

1. The Executive Committee approves in principle a total of US $6,398,000 in funding for the phased reduction and complete phase-out of CFCs used in the Refrigeration (Manufacturing) Sector in Indonesia. This is the total funding that would be available to Indonesia from the Multilateral Fund for the complete elimination of CFC used in the Refrigeration (Manufacturing) Sector in Indonesia, by 31 December 2007. The agreed level of funding would be disbursed in instalments as indicated in Table 1 and on the basis of the understanding set out in this agreement. By this agreement, Indonesia commits that it will eliminate its total CFC consumption in the Refrigeration (Manufacturing) Sector in accordance with the phase-out target and CFC consumption limits as indicated in Table 1.

Table1: Disbursement Schedule and Control Targets for CFC Consumption/Phase-out in the Refrigeration (Manufacturing) Sector in Indonesia

Parameter	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Total**
Annual CFC consumption limit in Refrigeration (Manufacturing) Sector (ODP MT)	1,231	1,231	1,141	841	541	241	0	N/A
Annual CFC phase-out target in the Refrigeration (Manufacturing) Sector (ODP MT)	0	90	300	300	300	241	0	1,231
Total Annual Funding Instalment (US$)	1,288,000	1,600,000	2,362,000	750,000	217,000	181,000	0	6,398,000
Agency Support Costs (US$)	111,920	140,000	210,900	67,500	19,530	16,290	0	566,140
Total cost to the Multilateral Fund (US$)	**1,399,920**	**1,740,000**	**2,572,900**	**817,500**	**236,530**	**197,290**		**6,964,140**

2. The phase-out of CFCs achieved in the Refrigeration (Manufacturing) Sector in excess of the specified target for a given year will contribute to achievement of the phase-out targets in subsequent years.

3. The Executive Committee also agrees in principle that the funds for the implementation of the annual programme for any given year will be provided in accordance with the disbursement schedule in Table 1 for the exact amount listed for that year and on the basis of the implementation programme for the year, subject to the performance requirements contained in this agreement. The Executive Committee will strive to ensure that funds are provided at its second meeting in the preceding year. The funding instalments for 2004, 2005, 2006 and 2007 will be released subject to:

(a) Confirmation that all agreed phase-out targets and consumption limits for the previous year have been achieved;

(b) The verification that the activities planned for the previous year were undertaken in accordance with the annual implementation programme.

4. The Government of Indonesia agrees to ensure accurate monitoring of the phase-out. The Government of Indonesia will provide regular reports, as required by its obligations under the Montreal Protocol and this Agreement. The consumption figures provided under this agreement will be consistent with Indonesia's reports to the Ozone Secretariat under Article 7 of the Montreal Protocol. The Government of Indonesia also agrees to allow independent verification audits as provided for in this agreement, a mid-term examination to be administered as part of the annual work programme of monitoring and evaluation of the Multilateral Fund, and in addition, external evaluation as may be directed by the Executive Committee, to verify that annual CFC consumption levels correspond to those agreed and that the implementation of the Refrigeration (Manufacturing) Sector Phase-out Plan proceeds as scheduled and agreed in annual implementation programmes.

5. The Executive Committee agrees to provide Indonesia with flexibility in using the agreed funds to meet the consumption limits indicated in Table 1. The Executive Committee has the understanding that during implementation, as long as it is consistent with this Agreement, the funds provided to Indonesia pursuant to this Agreement may be used in the manner that Indonesia considers will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between Indonesia and UNDP in the Refrigeration (Manufacturing) Sector Phase-out Plan as revised and as indicated in the annual implementation programmes. In the Executive Committee's acknowledgement of the flexibility available to Indonesia in achieving a complete CFC phase-out in the Refrigeration (Manufacturing) Sector, it is understood that Indonesia is committing to provide the necessary level of resources as may be required for the implementation of the plan and for achieving the consumption limits indicated in Table 1 above.

6. The Government of Indonesia agrees that the funds being agreed in principle by the Executive Committee at its 37th Meeting for the complete phase-out of CFCs in the Refrigeration (Manufacturing) Sector are the total funding that will be available to Indonesia to enable its full compliance with the reduction and phase-out as agreed with the Executive Committee, and that no additional Multilateral Fund resources will be forthcoming for any related activities in the Refrigeration (Manufacturing) Sector. It is also understood that aside from the agency fee referred to in paragraph 8 below, the Government of Indonesia, the Multilateral Fund, and its Implementing Agencies, and bilateral donors will neither request nor provide further Multilateral

Fund related funding for the accomplishment of the total phase-out of CFCs in the Refrigeration (Manufacturing) Sector in Indonesia.

7. The Government of Indonesia agrees that if the Executive Committee meets its obligations under this Agreement, but Indonesia does not meet the reduction requirements outlined in Table 1, or other requirements outlined in this document, the implementing agency and the Multilateral Fund will withhold funding for subsequent tranches of funding outlined in Table 1 until such time as the required reduction has been met. It is clearly understood that the fulfilment of this Agreement depends on satisfactory performance by both the Government of Indonesia and the Executive Committee of their obligations. In addition, Indonesia understands that with respect to all calendar year targets beginning with 2004, as set out in Table 1 of this Agreement, the Multilateral Fund will reduce the subsequent tranche and therefore the total funding for phase-out of Annex A Group I substances in the amount of US $11,200 per ODP tonne of reductions in consumption not achieved in any year, unless the Executive Committee decides otherwise.

8. UNDP has agreed to be the Implementing Agency for the implementation of this Sector Phase-out Plan, which will be completed by the end of 2007. A fee of a total of 9 per cent of the value of investment activities and 5 per cent of the value of the policy and management support activities has been agreed in accordance with provisions of this Agreement as indicated in Table 1. As the implementing agency, UNDP would be responsible for the following:

(a) Ensuring performance and financial verification in accordance with specific UNDP procedures and requirements as specified in the Refrigeration (Manufacturing) Sector Phase-out Plan;

(b) Reporting on the implementation of the annual implementation programmes to be included as part of each annual programme starting with the submission for the 2003 annual implementation programme prepared in 2002;

(c) Providing verification to the Executive Committee that the control targets listed in Table 1and the associated activities have been met;

(d) Ensuring that technical reviews undertaken by UNDP are undertaken by appropriate independent technical experts;

(e) Assisting Indonesia in preparation of annual implementation programmes, which will incorporate achievements in previous annual programmes;

(f) Carrying out required supervision missions;

(g) Ensuring the presence of an operating mechanism to enable effective, transparent implementation of the programme, and accurate data reporting;

(h) Verifying to the Executive Committee that CFC consumption phase-out in the Refrigeration (Manufacturing) Sector has been completed based on the schedules listed in Table 1;

(i) Ensuring that disbursements are made to Indonesia based on agreed performance targets in the project and provisions in this Agreement;

(j) Providing assistance for policy, management and technical support for implementation of the Sector Phase-out Plan, as and when required.

9. The Government of Indonesia also commits through this agreement to permanently sustain the reductions included in Table 1.