

Annex VI

AGREEMENT BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF THE PRODUCTION OF TCA IN CHINA

1. This Agreement represents the understanding of the People's Republic of China (hereinafter the "Country") and the Executive Committee with respect to the complete phase-out of production of the ozone-depleting substance (TCA) set out in Appendix 1-A ("The Substance") prior to 1 January 2010.
2. The Country agrees to phase out the production of the Substance in accordance with the annual phase-out targets set out in row N° 1 of Appendix 2-A ("The Targets, and Funding") of this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol, except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20 (a) of the Executive Committee. 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 of the phase-out of production of the Substance.
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 N° 5 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").
4. The Country will meet the production limits for TCA as indicated in row N° 2 in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these production limits as described in paragraph 8 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval 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 8; and
 - (c) That the Country has substantially completed all actions set out in the 2004-2008 Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for the 2004-2008 implementation programme in the form of Appendix 4-A 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 (“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 8.

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 in order 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. 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 implementing agency (“Lead IA”). 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 N° 6 of Appendix 2-A.

9. Should the Country, for any reason, not meet the Targets for the elimination of the Substance 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. 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 production not achieved in any one year.

10. 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.

11. 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.

12. 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 SUBSTANCE

Annex B:	Group III	TCA
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APPENDIX 2-A. THE TARGETS, AND FUNDING

	Baseline	2004	2005	2006	2007	2008	2009	2010-2014
Montreal Protocol Reduction Schedules	113	113	79	79	79	79	79	34
1. Max allowable total production of TCA (in ODP tonnes) under this agreement	113	113	79	79	79	79	79	0
2. New reduction under this agreement	0	0	34	0	0	0	0	79
3. Impact of previously approved projects	0	0	0	0	0	0	0	0
4. Total annual reduction of the substance (ODP tonnes)	0	0	34	0	0	0	0	79
5. Agreed MLF funding for the country		1.4	0	0	0	0.7	0	0
6. IA support costs		0.105	0	0	0	0.0525	0	0

Rows N° 1, N° 2, N° 3 and N° 4 are in ODP tonnes. Rows N° 5 and N° 6 are in USD million.

APPENDIX 3-A. FUNDING APPROVAL SCHEDULE

1. Funding will be released in two tranches:
 - (a) The first tranche will be released upon approval of the TCA production phase-out sector plan; and
 - (b) The second tranche will be released at the last meeting in 2008 upon submission of the implementation programme for 2009 and beyond.

APPENDIX 4-A. FORM OF THE IMPLEMENTATION PROGRAMME

1. The implementation programme for 2004 to 2008 was submitted with the sector plan.

APPENDIX 5-A. MONITORING INSTITUTIONS AND ROLES

1. Production of TCA will be monitored consistent with the principles established for CFC, CTC and halon production. The World Bank will conduct annual verification of the production.

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 implementation programme
 - (c) Assisting the Country in preparation of the Implementation Programme;
 - (d) Ensuring that achievements in previous Implementation Programmes are reflected in future Implementation Programmes;

- (e) Annual reporting on the implementation of the 2004-2008 Implementation Programme;
- (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 Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that production of the Substances has been eliminated in accordance with the Targets;
- (j) Coordinating 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

1. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by US\$ 1,000 per metric tonnes TCA (ODS) of reductions in production not achieved in the year.
