Annex VII

AGREEMENT FOR PHASE-OUT OF CFCs IN THE FOAM SECTOR IN INDIA

1. The Executive Committee approves in principle a total of US $5,424,577 in funding for the phased reduction and complete phase-out of CFCs used in the Foam Sector in India. This is the total funding that would be available to India from the Multilateral Fund for the complete elimination of CFC use in the Foam Sector in India, by 31 December 2006. 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 the agreement. By this agreement, India commits that it will eliminate its total CFC consumption in the Foam Sector in accordance with the phase-out target and CFC consumption limits as indicated in Table 1.

Table 1: Disbursement Schedule and Control Targets for CFC Consumption/Phase-out in the Foam Sector in India

Parameter	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Annual CFC consumption limit in Foam Sector (ODP MT)	1,655	1,434	1,037	529	128	0	N/A
Annual CFC phase-out target in the Foam Sector (ODP MT)	221	397	508	401	128	0	1,655
Total Annual Funding Instalment (US$)*	1,500,000	1,750,000	1,500,000	450,000	224,577	0	5,424,577
Agency Support Costs (US$)	131,000	153,500	131,000	40,500	20,212	0	476,212
Total cost to the Multilateral Fund (US$)	1,631,000	1,903,500	1,631,000	490,500	244,789	**0**	5,900,789

*Includes policy and management support cost of US $100,000 for each of the years 2002 - 2004.

2. The phase-out of CFCs achieved in the Foam 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 the funds are provided at the second meeting of the Executive Committee in the preceding year. The funding instalments for 2003, 2004, 2005 and 2006 will be released subject to:

(a) confirmation that the consumption limit for the previous year specified in Table 1 and associated phase-out targets 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 India agrees to ensure accurate monitoring of the phase-out. The Government of India 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 India's reports to the Ozone Secretariat under Article 7 of the Montreal Protocol. The Government of India 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 Foam Sector Phase-out Plan proceeds as scheduled and agreed in annual implementation programmes.

5. The Executive Committee agrees to provide India 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 India pursuant to this Agreement may be used in the manner that India considers will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between India and UNDP in the Foam 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 India in achieving a complete CFC phase-out in the Foam Sector, it is understood that India is committing to provide the necessary level of support as may be required for the implementation of the plan and for achieving the consumption limits indicated in Table 1 attached.

6. The Government of India 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 Foam Sector are the total funding that will be available to India 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 Foam Sector. It is also understood that aside from the agency fee referred to in paragraph 8 below, the Government of India, 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 Foam Sector in India.

7. The Government of India agrees that if the Executive Committee meets its obligations under this Agreement, but India does not meet the reduction requirements outlined in Table 1

and other requirements outlined in this Agreement, the Implementing Agency and the Multilateral Fund will withhold subsequent funding disbursements until such time as the required reduction has been met. It is clearly understood that the fulfilment of this Agreement depends on the satisfactory performance of its obligations by both the Government of India and the Executive Committee. In addition, India understands that with respect to all calendar year targets beginning with 2002, 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 CFC-11 in the foam sector in the amount of US $16,200 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 2006. 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 Foam 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 1 and the associated activities have been met;

(d) Ensuring that the required verification audits are undertaken by appropriate independent technical experts;

(e) Assisting India 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 Foam Sector has been completed based on the schedules listed in Table 1;

(i) Ensuring that disbursements are made to India 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 and report on these activities to the Executive Committee.

9. The Government of India also commits through this agreement to permanently sustain the reductions included in Table 1. As a result of this project India's maximum level of CFCs remaining eligible for funding is 1,530.4 ODP tonnes.
