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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-eighth Meeting
Rome, 20-22 November 2002

Addendum

PROJECT PROPOSAL: PHILIPPINES

This addendum is issued to:

- **Add** the following paragraphs:

36 bis. The Secretariat has subsequently had the opportunity to discuss the foam sector component of the phase-out plan in detail with the World Bank and complete the review process. The eligibility of the group of enterprises manufacturing rigid foam has been established. The incremental costs for conversion of this group of enterprises has been agreed at a level of US\$474,000. The total CFC-11 consumption of the enterprises is 118 ODP tonnes. While the officially reported consumption in the foam sector in 2000 was zero, on the basis of the information presented, funding for the conversion of the enterprises could be considered for inclusion as incremental costs in the sector plan. In regard to the flexible foam sub-sector, on the basis of the background information about the sector in general and the particular enterprises involved, it has been agreed that the incremental cost should be limited to US \$250,000 to provide technical support to assist any remaining eligible enterprises still using CFCs to convert.

36 ter. The final agreed cost of the National CFC Phase-out Plan for the Philippines is US \$10,575,410, plus total support costs of US \$896,787, based on five percent of costs for the project implementation and monitoring unit and nine percent of costs for other activities.

- **Add** the Draft Agreement for the National CFC Phase-Out Plan for the Philippines.

**Agreement for the National CFC Phase-out Plan for the Philippines
(Draft)**

1. The Executive Committee approves in principle a total of US \$10,575,410, excluding agency support costs, in funding for the phased reduction and complete phase out of consumption of Annex A, Group I, chemicals in the Philippines. This is the total funding that would be available to the Philippines from the Multilateral Fund for the total elimination of the use of Annex A, Group I, chemicals in the Philippines. The agreed level of funding would be paid out in installments in the exact amount of US dollars specified in paragraph 2, and on the basis of the understanding set out in this Agreement.

2. By this Agreement, the Philippines commits that in exchange for the funding level specified below in Table 1, it will eliminate its total Annex A, Group I CFC consumption in accordance with the annual consumption limits given in Table 1 and the performance targets outlined in Table 12.2 of Chapter 12 of the National CFC Phase-out Plan (NCPP) of the Philippines, as detailed in the annual implementation programmes .

**Table 1: Disbursement schedule and control targets for total CFC phase-out
in the Philippines (ODP tonnes and US \$)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Maximum allowable CFC consumption	2,049.3	2,049.3	1,960	1,810	1,509	1,360	453	400	300	
Reduction from ongoing projects	-	31.7	-	-	-	-	-	-	-	31.7
New reduction under plan	-	-	89.3	150	301	149	907	53	100	1,749
Total annual reduction	-	31.7	89.3	150	301	149	907	53	100	1,781
Agreed funding (WB Component I)	-	2,858,473	1,877,418	2,160,071	2,873,197	337,717	110,000	0	0	10,100,743
WB support costs	-	248,663	160,968	186,006	248,588	20,795	5,500	-		860,067
Agreed funding (Swedish Component II)	-	152,400	166,134	40,000	0	0	0	0	0	474,667
Swedish bilateral support costs	-	11,316	12,952	2,000	0	0	0	0	0	36,720
Total agreed funding (US \$ million)	-	3,010,873	2,043,552	2,200,071	2,873,197	337,717	110,000	0	0	10,575,410
Total agency support costs (US \$ million)	-	259,979	173,920	188,006	248,588	20,795	5,500	0	0	896,787
Total cost to the MLF		3,270,852	2,217,472	2,388,077	3,121,785	358,512	115,500	0	0	11,472,197

3. In order to assist the Philippines in establishing its implementation structure within the country, achievement of the Philippines' 2003 reduction targets, and to initiate measures

necessary to meet the other reduction targets included in Table 1, the Executive Committee decides at its 38th Meeting to provide US \$3,010,873 to the Philippines plus agency support costs of US \$259,979.

4. The Executive Committee also agrees in principle to payments in 2003 and subsequent years in the exact amount listed in Table 1, subject to:

- (a) Achievement of the reduction targets and consumption limits specified in Table 1 and the other performance requirements contained in this agreement;
- (b) Approval of annual implementation programme for the following year; and
- (c) Compliance with the milestones outlined in Table 12.2 of Chapter 12 of the NCPP and the relevant annual implementation programme.

5. Thus, for example, the payment indicated in year 2003 will be for activities to be implemented in 2004, and so on. The Executive Committee will strive to provide the specified funding at the last meeting of the year concerned.

6. Payments noted in Table 1, other than the payments in 2002 and 2003, will be released based on confirmation that: the agreed reductions and maximum consumption targets noted in Table 1 for the previous year have been achieved; it has been verified that CFC phase-out has taken place, and that a substantial proportion of the activities planned for the previous year were undertaken in accordance with the annual implementation programme.

7. For example, payment in 2004 for the 2005 implementation programme will be conditional on satisfactory verification that the Philippines has, as a minimum: met its reduction and consumption targets for 2003 as specified in Table 1, and; completed the 2002 implementation plan activities and the 2003 activities planned for completion before the 2003 reporting date. Payment in 2005 for the 2006 implementation plan will be released based on confirmation that the 2004 reduction and consumption targets have been met, and so on for future years.

8. The Government of the Philippines agrees to ensure accurate monitoring of the phase-out. The Government of the Philippines will provide regular reports, as required by its obligations under the Montreal Protocol and this Agreement. Consumption figures provided under this Agreement will be, as a minimum, consistent with the Philippines' compliance with the Montreal Protocol regarding Annex A, Group I CFCs and will be reported to the Ozone Secretariat pursuant to Article 7 of the Montreal Protocol.

9. The Government of the Philippines also agrees to allow independent verification audits as provided for in this Agreement, a biennial verification to be implemented as part of the relevant annual work programme of monitoring and evaluation of the Multilateral Fund and; in addition, such external evaluation as may be directed by the Executive Committee, to verify that annual CFC consumption levels correspond to those agreed in Table 1 and that implementation of the National CFC Phase-out Plan proceeds as scheduled and agreed in annual implementation programmes.

10. The National CFC Phase-out Plan for the Philippines may include estimates of specific funds that are thought to be needed for specific items. Notwithstanding this, the Executive Committee wishes to provide the Philippines with maximum flexibility in using the agreed funds to meet the reduction targets and the consumption limits agreed in Table 1. The Executive Committee understands that during implementation, the funds provided to the Philippines pursuant to this Agreement may be used in any manner consistent with this Agreement that the Philippines believes will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between the Philippines, the World Bank as the lead implementing agency, and the Government of Sweden as co-implementing agency, in the National CFC Phase-out Plan for the Philippines as revised and as indicated in the annual implementation programmes. In the Executive Committee's acknowledgement of the flexibility available to the Philippines to achieve a complete CFC phase-out, it is noted that the Philippines is committing to contribute the level of resources necessary to implement the plan and to achieve the consumption limits in Table 1 of this Agreement.

11. The Government of the Philippines agrees that the funding agreed in principle by the Executive Committee at its 38th Meeting for complete phase out of consumption of Annex A, Group I substances is the total funding that will be available to the Philippines to allow its full compliance with the reductions in consumption and the phase-out as agreed with the Executive Committee of the Multilateral Fund, and that no additional Multilateral Fund resources will be forthcoming for any additional activities related to phase out of Annex A Group I substances. It is also understood that aside from the agency fee referred to in paragraph 13 below, the Government of the Philippines, the Multilateral Fund, and its implementing and bilateral agencies will neither request nor provide further Multilateral Fund-related funding for the accomplishment of the total phase-out of Annex A, Group I substances.

12. The Government of the Philippines agrees that if the Executive Committee meets its obligations under this Agreement, but the Philippines does not meet the reduction requirements outlined in Table 1, and other requirements outlined in this document, the implementing and bilateral agencies 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 fulfillment of this Agreement depends on satisfactory performance by both the Government of the Philippines and the Executive Committee of their obligations. In addition, the Philippines understands that with respect to all calendar year targets beginning with 2003, as set out in paragraph 2 of this agreement, the Multilateral Fund will reduce the subsequent tranche and therefore the total funding for Annex A, Group I substances phase-out on the basis of US \$[15,000] per ODP tonne of reduction not achieve in any year.

13. A fee of 5 percent of the annual funding for project implementation and monitoring and 9 percent of the annual funding for all other activities has been agreed in accordance with the provisions of this Agreement, and distributed as shown in Table 1 (details are in Annex VII of the NCPP proposal).

14. The NCPP consists of a phase-out plan for the manufacturing sector prepared with the assistance of the WB and a phase-out plan for the servicing sector prepared with assistance from the Government of Sweden. The World Bank, as the lead implementing agency, will assist the Government of the Philippines to implement the overall National CFC Phase-out Plan, to carry

out the activities required to achieve the phase-out targets specified in the Plan and also to carry out activities related to policy and regulatory development under the World Bank part of the Plan (Component I). The Government of Sweden, as a co-implementing agency, will provide support for activities related to the service sector and will provide assistance to the Philippines to implement the train-the-trainer, CFC reclamation programmes and activities related to policy and regulatory development relevant for the servicing sector (Component II). The funding provided by the Government of Sweden as stated in Table 1, will be counted against the Swedish bilateral quota of its contribution to the Multilateral Fund in annually specified tranches.

15. As the lead implementing agency, the World Bank will be responsible for the following:
- (a) Ensuring performance and financial verification in accordance with this Agreement and with specific World Bank procedures and requirements as specified in the National CFC Phase-out Plan for the Philippines, as revised;
 - (b) Providing verification to the Executive Committee that the consumption targets listed in Table 1 and the associated annual activities have been met;
 - (c) Assisting the Philippines in preparation of annual implementation programmes;
 - (d) Ensuring that achievements in previous annual programmes are reflected in future programmes;
 - (e) Reporting on the implementation of the annual implementation programmes commencing with the submission for the 2004 annual implementation programme to be prepared and submitted in 2003;
 - (f) Ensuring that technical reviews undertaken by the World Bank 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 programme, and accurate data reporting;
 - (i) Verification for the Executive Committee that phase-out of national Annex A Group I consumption for the Philippines has been completed based on the schedules listed in Table 1;
 - (j) Ensuring that disbursements are made to the Philippines based on agreed performance targets in the annual work programmes and provisions in this Agreement; and
 - (k) Providing policy development assistance when required.

16. The Government of Sweden, as co-implementing agency, will:

- (a) Assist the Government of the Philippines in the implementation and verification of the activities funded by Swedish bilateral co-operation for the years 2002-2004 as indicated in Table 1, including the development and implementation of regulations, policy and targeted public awareness activities;
- (b) Provide assistance relating to the service sector, as required, in the development and implementation of regulations, policy and targeted public awareness activities; and
- (c) Provide reports to the World Bank on these activities, for inclusion in the consolidated reports.

17. The funding components of this Agreement shall not be modified on the basis of future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the country.
