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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-sixth Meeting  
Doha, 8-12 November 2008

**Addendum**

**PROJECT PROPOSALS: CHINA**

This addendum is being issued to:

Sector plan for phase-out of CFC-11 in the China foam sector: 2009 annual programme (World Bank)

- **Replace** page 16 **with** the attached page 16.

- **Add** the following paragraphs:

51 bis. Subsequent to the issuance of document UNEP/OzL.Pro/ExCom/56/24, the World Bank advised the Secretariat that a statement in the annual plan which appeared to be contradictory to the Secretariat, namely, the completion of the project at the end of 2009 and continuation of activities with remaining funds of US \$6.8 million until 2012, correctly represented the situation in the foam industry. Consequently the Bank requested changes to the document, in particular its paragraph 48.

51 ter. An allocation plan for unused funds for the years 2010 until 2012 was provided by the World Bank and is shown in below the table, representing the only information available regarding the use of these funds:

<b>Activity</b>	<b>Amount (US \$)</b>
Screening and evaluation of CFC-free substitutes and development of new substitutes	4,600,000
Technical service for the foam enterprise for better application of new alternatives	800,000
Continue monitoring of CFC phase-out in the foam sector	600,000
Additional provincial foam activities and for retroactive funding for eligible enterprises who converted on their own since January 2008 when applicable.	800,000
<b>Total (US \$)</b>	<b>6,800,000</b>

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

51 qua. The Agreement between China and the Executive Committee specifies that “The World Bank has agreed to be the implementing agency for the implementation of this sector plan which will be completed in 2010”. The Secretariat discussed the date at which implementation is to be completed and the resulting requirements regarding planning, reporting and verification, as well as financial oversight. It appears that the World Bank is of the opinion that the funding under the agreement was exclusively related to achieving the consumption sector phase-out, and that once the phase-out is achieved and has been demonstrated, the funding should be paid in full to China and the project subsequently closed. The Secretariat stated its opinion that, should implementation of activities with funds from the sector plan continue, the project cannot be considered completed and the obligations of the Fund, the implementing agency and the country as specified in the Agreement continue to be valid.

51 quin. The World Bank and the Secretariat agreed on a number of issues, for example the fact that China has achieved the phase-out in the foam sector that, in general, activities under the plan can continue beyond the year 2010, and that there is no requirement to return remaining funding at the end of 2009. Nevertheless, as of writing of this document, the issue set out above had not been resolved. Similar issues are related to the halon sector plan and production sector plan.

- **Replace** paragraph 52 **with** the following:

52. The Executive Committee may wish to consider, in the light of its review of the issue addressed in the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/56/12/Add.1) to:

- (a) Clarify whether a completion of the project is possible while the implementation of a broad variety of activities is still ongoing;
- (b) Decide whether it wishes to suggest to China to extend the validity of the agreement until 2013 to allow China to spend the unspent fund balance in the years 2010 to 2012;
- (c) Note the report on the implementation status of the 2002 - 2008 programmes and the verification report provided; and
- (d) Approve the 2009 annual programme of the CFC-11 phase-out plan in the polyurethane foam sector in China and the respective tranche at US \$1.767 million with associated support cost of US \$159,030, on the understanding that this approval does not include any endorsement of references in the 2009 annual programme to activities beyond the year 2009, and that such activities can only commence once the Executive Committee has approved a related annual plan.

Sector plan for halon phase-out: 2009 annual programme (World Bank)

- **Add** the following paragraphs:

68 bis. The Secretariat received a response to its comments from the World Bank on 14 October 2008. With respect to the export of 200 ODP tonnes in 2006, the Bank noted that since there is only one producer, China allowed the company to sell to the domestic market or for export as long as the overall total production quota had been maintained.

68 ter. In response to the auditors' recommendations, the Bank indicated that companies have to apply to use halon for feedstock. China then sends its experts to review the feedstock use. Following the review, a company may then be considered for licensing as a feedstock user. The Bank and China have set up a system for monitoring sales of halon 1301 to feedstock users. The Bank did not indicate that any further action with respect to the auditors' recommendations was needed.

68 qua. The Bank did not provide a feasible reporting system for activities planned following the year 2010 as requested in decision 53/25, paragraph (b). Instead it indicated that once the December 2009 phase-out of halon production and consumption is verified by an independent audit, China would have fulfilled all the obligations and reporting requirements of the agreement and no further reporting would be required. It also indicated that the grant agreement between China and the Bank will close by June 2011 and it would be very difficult for the Bank to extend the agreement.

68 quin. The auditors confirmed that China had achieved its targets and therefore the final tranche of the China Halon Plan can be released. However, the Executive Committee may wish to consider the need for an implementing agency to continue to exercise its fiduciary responsibilities until all of the funds approved are disbursed for the purpose of the halon phase-out in China. Moreover, the Executive Committee should also receive annual reports on the activities undertaken with Fund resources until those resources are fully disbursed and a project completion report is submitted. A similar issue was also raised with respect to the Bank's foam sector and CFC production sector agreements with China. This issue is addressed in the addendum of the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/56/12/Add.1).

- **Replace** paragraph 69 in the Recommendations **with** the following:

69. The Executive Committee may wish to consider approving the release of the final tranche of the China halon sector plan in the amount of US \$100,000 plus US \$7,500 in agency fees in the light of its consideration of the issue addressed in the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/56/12/Add.1).

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**China**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
Foam	IBRD

<b>(II) LATEST ARTICLE 7 DATA (ODP Tonnes)</b>					<b>Year: 2007</b>
CFC: 5832.1	CTC: 265.1	Halons: 594.4	MB: 405	TCA: 251.1	

<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)</b>											<b>Year: 2007</b>		
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC	440.1	237.4				2,854.2		340.5					3,872.1
CTC									265.1				265.1
Halons			788.3										788.3
Methyl Bromide										1,059.5	313.5		1,373.1
TCA							251.1						251.1

<b>(IV) PROJECT DATA</b>		2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
<b>Montreal Protocol Consumption Limits</b>		CFC		57,818.7	57,818.7	57,818.7	28,909.4	28,909.4	8,672.8	8,672.8	
<b>Maximum Allowable Consumption (ODP Tonnes)</b>		CFC		14,143	13,830	10,500	9,000	7,000	400	0	0
<b>Project Costs (US\$)</b>		IBRD		9,940,000	12,570,000	10,903,000	10,903,000	3,320,000	2,676,000	1,767,000	1,767,000
				886,600	1,115,300	961,270	961,270	282,800	240,840	159,030	159,030
<b>Total Funds Approved in Principle (US\$)</b>				0	9,940,000	12,570,000	10,903,000	10,903,000	3,320,000	2,676,000	1,767,000
				0	886,600	1,115,300	961,270	961,270	282,800	240,840	159,030
<b>Total Funds Released by the ExCom (US\$)</b>				9,940,000	12,570,000	10,903,000	10,903,000	3,320,000	0	4,443,000	0
				886,600	1,115,300	961,270	961,270	282,800	0	399,870	0
<b>Total Funds Requested for Current Year (US\$)</b>										1,767,000	1,767,000
										159,030	159,030

<b>(V) SECRETARIAT'S RECOMMENDATION:</b>	<b>For individual consideration</b>
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