




Confirmation Letter on Inclusion of Second (2017) Tranche Fund into the Project Document of Sector plan for phase-out of HCFCs in the Industrial and Commercial Refrigeration and Air Conditioning (ICR) Sector in China (Stage II) for compliance with 2020 targets

As the Project Document for the project “Sector plan for phase-out of HCFCs in the Industrial and Commercial Refrigeration and Air Conditioning (ICR) Sector in China (Stage II) for compliance with 2020 targets” only contains the payment plan for first (2016) tranche allocated to 2017-2018 project budget, and the project document specified that the payment plan of subsequent tranches be included into the above-mentioned project document upon such time when the tranches are approved by the ExCom, funds are transferred and become available. It is hereby jointly agreed to include the enclosed Attachment A into the Project Document.

Attachment A contains the relevant information pertaining to the payment for 2017-2023 against the 2016, 2017, 2018, 2019, 2020 and 2021 tranches, as well as updated work plan (2017-2023) and reflected the 2017 funding tranche of 20,000,000 USD for CPR/PHA/80/INV/587, as approved by the Executive Committee’ decision 80/66.

The Project Document may be amended, altered or supplemented only by mutual agreement by the parties involved.

All other parts and tables of the original signed project document remain unchanged.

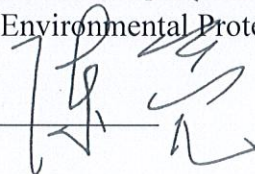
Signed
By 

Devanand Ramiah
Deputy Country Director
UNDP China office

Signed
By

Chen Liang
Director General
Foreign Economic Cooperation Office
Ministry of Environmental Protection

Date _____

Date  _____

Attachment A

Table 6-3 below presents the budgets for the tranches. Total fund approved in principle by the ExCom for Stage II HPMP ICR Sector Plan is US \$ 89,144,797 for period 2016 – 2021.

AWARD ID	87756		Sector Plan for phase-out of HFCs in the Industrial and Commercial Refrigeration and Air Conditioning (ICR) Sector in China (Stage-II) for compliance with 2020 targets																			
	PROJECT ID	94677	Foreign Economic Cooperation Office, Ministry of Environmental Protection (FECO/MEP)																			
ATLAS Activity	Responsible Party	Source of funds	ATLAS Code	ATLAS Budget Description	2016 tranche		2017 tranche		2018 tranche		2019 tranche		2020 tranche		2021 tranche		2022 tranche		2023 tranche		Total	
Activity 1: investment projects	FECO/MEP	63080	72100	Contractual services – companies	8,640,000	2,160,000	13,992,005	3,573,001	8,435,203	2,183,801	11,213,604	2,878,401	11,213,604	2,878,401	11,213,604	2,878,401	8,187,068	2,044,910	2,044,910	2,044,910	77,400,000	
	Sub-Total				8,640,000	2,160,000	13,992,005	3,573,001	8,435,203	2,183,801	11,213,604	2,878,401	11,213,604	2,878,401	11,213,604	2,878,401	8,187,068	2,044,910	2,044,910	2,044,910	77,400,000	
	FECO/MEP	63080	71600	Travel	1,600	400	30,000	400	30,000	400	30,000	400	30,000	400	30,000	400	30,000	400	30,000	400	400	154,000
	FECO/MEP	63080	72100	Contractual services – companies	1,289,900	332,475	721,600	300,000	371,600	100,000	571,600	200,000	571,600	200,000	571,600	200,000	571,600	200,000	557,120	100,000	100,000	5,315,895
Activity 2: technical Assistant	FECO/MEP	63080	75700	Training, workshop and meeting	4,800	1,200	4,800	1,200	4,800	1,200	4,800	1,200	4,800	1,200	4,800	1,200	4,800	1,200	4,800	1,200	1,200	36,000
	UNDP	63080	72100	Contractual services	40,000	-	133,000	10,000	43,000	10,000	43,000	10,000	43,000	10,000	43,000	10,000	43,000	10,000	43,000	10,000	10,000	395,000
	UNDP	63080	71300	Local consultants	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	55,000
	UNDP	63080	71600	Travel	16,000	4,000	50,000	17,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	287,000
Activity 3: Project Management	UNDP	63080	74100	Professional services	-	5,000	5,000	0	5,000	5,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	30,000	90,000	
	Sub-Total				1,352,300	348,075	949,400	333,600	509,400	116,600	719,400	216,600	719,400	216,600	719,400	216,600	704,920	146,600	146,600	146,600	6,332,895	
	FECO/MEP	63080	71800	Contractual services – Implementing partner	557,252	139,313	833,663	208,416	500,198	125,050	666,931	166,733	666,931	166,733	666,931	166,733	666,931	166,733	490,863	122,716	122,716	4,644,797
	FECO/MEP	63080	74500	Miscellaneous expenses	137,453	34,363	109,914	109,914	129,748		138,331	138,331	138,331	138,331	138,331	138,331	138,331	138,331	78,964			787,104
Total of each tranche					10,687,005	2,681,751	15,884,983	4,115,017	9,574,549	2,425,450	12,738,266	3,261,734	12,738,266	3,261,734	12,738,266	3,261,734	9,461,815	2,314,226	2,314,226	2,314,226	89,144,797.00	
Sub-Total					13,368,756	20,000,000	20,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	11,776,041	11,776,041	11,776,041	11,776,041	89,144,797.00	

Note 1: The budget listed above could be adjusted between budget lines under each activity and/or new budget line could be added while keeping the same subtotal for each activity, if deemed necessary; the budget among the activities under each year could be adjusted through the budget revision to be agreed between UNDP and FECO/MEP.

Note 2: USD 56,000 in 2017 allocation and USD 14,000 in 2018 allocation from 2016 tranche will, in agreement between parties, be kept in UNDP for relevant activities.

Based on the Agreement between the Government of China and the Executive Committee, funding tranche will be released annually by the ExCom after a Tranche Implementation Report for the previous calendar year, a Tranche Implementation Plan for the next calendar year, and a Tranche Release Request are submitted and approved by the ExCom. The format of the Tranche Implementation Report and Tranche Implementation Plan are set under the Agreement. Any amendment of format will be stated by the decisions of the ExCom.

In principle, each tranche will be disbursed by UNDP to FECO in three instalments. Disbursement of each instalment will be made based on meeting the indicators/milestones stipulated.

Payment Schedule and Indicators/Milestones

Table 6-4: Tranche 2016 (US \$13,298,756*)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	6,649,378 (about 50%)	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF Treasury; - ProDoc signed between FECO/MEP and UNDP; - 2017 implementation work program submitted and agreed with UNDP.
Second disbursement	3,989,627 (about 30%) ¹	<ul style="list-style-type: none"> - 50% of the first disbursement has been committed. - Signed conversion contracts of HCFCs to be phased out are not less than 300 metric tonnes in 2017.
Third disbursement	2,659,751 (About 20%)	<ul style="list-style-type: none"> - Total 80% of the First and Second disbursements has been committed. - More than 20% of 2016 Tranche has been disbursed from FECO to the beneficiaries. - Tranche Implementation Report and Tranche Implementation Plan is satisfactory to UNDP and submitted to the ExCom.

* US\$56,000 and US\$14,000 allocation in 2017 and 2018 allocation against the 2016 tranche will, in agreement between parties, be kept in UNDP for relevant activities

¹ Based on ExCom decision 77/21, 103,708USD representing additional interest accrued by the Government of China up to 31 December 2015 from funds previously transferred will be deducted from the third disbursement of 2016 tranche.

Table 6-5: Tranche 2017 (US \$19,775,000²)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	9,887,500 ³	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF Treasury; - ProDoc budget revision signed to include 2017 tranche;
Second disbursement	5,804,483	<ul style="list-style-type: none"> - 50% of the first disbursement of the 2017 tranche has been committed. - Signed conversion contracts of HCFCs to be phased out are not less than 1100 metric tonnes in 2017 tranche. - Tranche Implementation Report and Tranche Implementation Plan are satisfactory to UNDP and submitted to the ExCom. - 2017 consumption should meet the national control target set out in the agreement between the government of China and the ExCom (i.e. Maximum allowable consumption in the ICR sector not exceeding 2,162.5 ODP tonnes).
Third disbursement	4,083,017	<ul style="list-style-type: none"> - Total 2700MT HCFCs has been committed to be phased out. - Total 80% of the First and Second disbursements of the tranche has been committed. - At least 20% of Tranche 2017 should be disbursed to the final beneficiaries - At least 50% fund of the 2016 previous tranche received by FECO has been disbursed.

Table 6-6: Tranche 2018 (US \$11,882,000⁴)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	5,941,000	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF

² 225,000 USD allocation in 2018 and 2019 in 2017 tranche will, in agreement between parities, be kept in UNDP for relevant activities.

³ Based on ExCom decision 80/15, US \$97,468 representing additional interest accrued by the Government of China up to 31 December 2016 from funds previously transferred for the implementation of the ICR sector plan, will be deducted for this payment.

⁴ 118,000 USD allocated in 2019 and 2020 in 2018 tranche will, in agreement between parities, be kept in UNDP for relevant activities.

		<ul style="list-style-type: none"> - Treasury; - ProDoc budget revision signed to include 2018 tranche
Second disbursement	3,530,550	<ul style="list-style-type: none"> - 50% of the first disbursement of the 2018 tranche has been committed. - Tranche Implementation Report and Tranche Implementation Plan are satisfactory to UNDP and submitted to the ExCom. - 2018 consumption should meet the national control target set out in the agreement between the government of China and the ExCom (i.e. Maximum allowable consumption in the ICR sector not exceeding 2,042.4 ODP tonnes). - At least 20% of Tranche 2018 should be disbursed to the final beneficiaries -
Third disbursement	2,410,450	<ul style="list-style-type: none"> - Total 80% of the First and Second disbursements of the tranche has been committed. - At least 35% fund of the previous tranches received by FECO has been disbursed to the final beneficiaries.

Note1: The actual amount of the fund released from UNDP could be less than the Tranche indicated in the agreement between China and the ExCom due to offset of the interest accrued at FECO/MEP. The difference between the tranche amount indicated in the agreement and actual amount released by the MLF Treasury is the offset by the accrued interest earned by FECO/MEP from project fund held at FECO/MEP. The ExCom will take the decision regarding this matter, if it happens in future ExCom meetings. The interest will be indicated in the related decision of ExCom, and will be deducted from first payment of the corresponding tranche.

Table 6-7: Tranche 2019 (US \$15,872,000⁵)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	7,936,000	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF Treasury; - ProDoc budget revision signed to include 2019 tranche.

⁵ 128,000 USD allocation in 2020 and 2021 in the 2019 tranches will, in agreement between parities, be kept in UNDP for relevant activities.

Second disbursement	4,689,266	<ul style="list-style-type: none"> - 50% of the first disbursement of the 2019 tranche has been committed. - Total signed conversion contracts of HCFCs to be phased out are not less than 6000 metric tonnes in 2020. - Tranche Implementation Report and Tranche Implementation Plan are satisfactory to UNDP and submitted to the ExCom. - 2019 consumption should meet the national control target set out in the agreement between the government of China and the ExCom (i.e. maximum allowable consumption in the ICR sector not exceeding 2042.4 ODP tonnes) - At least 20% of Tranche 2019 should be disbursed to the final beneficiaries. - .
Third disbursement	3,246,734	<ul style="list-style-type: none"> - Total 80% of the First and Second disbursements of the tranche has been committed. - At least 35% fund of the previous tranches received by FECO has been disbursed.

Note! The actual amount of the fund released from UNDP could be less than the Tranche indicated in the agreement between China and the ExCom due to offset of the interest accrued at FECO/MEP. The difference between the tranche amount indicated in the agreement and actual amount released by the MLF Treasury is the offset by the accrued interest earned by FECO/MEP from project fund held at FECO/MEP. The ExCom will take the decision regarding this matter, if it happens in future ExCom meetings. The interest will be indicated in the related decision of ExCom, and will be deducted from first payment of the corresponding tranche.

Table 6-8: Tranche 2020 (US \$15,872,000⁶)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	7,936,000	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF Treasury; - ProDoc budget revision signed to include 2020 tranche;
Second disbursement	4,689,266	<ul style="list-style-type: none"> - 50% of the first disbursement of the 2020 tranche has been committed. - Total signed conversion contracts of HCFCs to be phased out are not less than 6500 metric tonnes by the end of 2020.

⁶ 128,000 USD allocation in 2021 and 2022 against the 2020 tranche will, in agreement between parities, be kept in UNDP for relevant activities.

		<ul style="list-style-type: none"> - Tranche Implementation Report and Tranche Implementation Plan are satisfactory to UNDP and submitted to the ExCom. - 2020 consumption should meet the national control target set out in the agreement between the government of China and the ExCom (i.e. Maximum allowable consumption in the ICR sector not exceeding 1,609.9 ODP tonnes).
Third disbursement	3,246,734	<ul style="list-style-type: none"> - Total 80% of the First and Second disbursements of the tranche has been committed. - At least 20% of Tranche 2020 should be disbursed to the final beneficiaries - At least 40% fund of the previous tranches received by FECO has been disbursed. -

Note1: The actual amount of the fund released from UNDP could be less than the Tranche indicated in the agreement between China and the ExCom due to offset of the interest accrued at FECO/MEP. The difference between the tranche amount indicated in the agreement and actual amount released by the MLF Treasury is the offset by the accrued interest earned by FECO/MEP from project fund held at FECO/MEP. The ExCom will take the decision regarding this matter, if it happens in future ExCom meetings. The interest will be indicated in the related decision of ExCom, and will be deducted from first payment of the corresponding tranche.

Table 6-9: Tranche 2021 (US \$11,618,041⁷)

Payment Schedule	Disbursement (US\$)	Indicators/Milestones
First disbursement	5,809,020	<ul style="list-style-type: none"> - The annual funding tranche upon Executive Committee's approval of the annual plan; - Receipt by UNDP of fund transfer from MLF Treasury; - ProDoc budget revision signed to include 2021 tranche;
Second disbursement	3,539,795	<ul style="list-style-type: none"> - 50% of the first disbursement of the 2021 tranche has been committed. - Tranche Implementation Report and Tranche Implementation Plan are satisfactory to UNDP and submitted to the ExCom. - At least 40% fund of the previous tranches received by FECO has been disbursed. - At least 20% of Tranche 2021 should be disbursed to the final beneficiaries

⁷ 158,000 USD allocation in 2022 and 2023 against the 2021 tranche will, in agreement between parities, be kept in UNDP for relevant activities.

Third disbursement	2,269,226	<ul style="list-style-type: none"> - Total 80% of the First and Second disbursements of the tranche has been committed. - At least 60% fund of the previous tranches received by FECO has been disbursed. - 2021 consumption should meet the national control target set out in the agreement between the government of China and the ExCom (i.e. Maximum allowable consumption in the ICR sector not exceeding 1,609.9 ODP tonnes)
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Note! The actual amount of the fund released from UNDP could be less than the Tranche indicated in the agreement between China and the ExCom due to offset of the interest accrued at FECO/MEP. The difference between the tranche amount indicated in the agreement and actual amount released by the MLF Treasury is the offset by the accrued interest earned by FECO/MEP from project fund held at FECO/MEP. The ExCom will take the decision regarding this matter, if it happens in future ExCom meetings. The interest will be indicated in the related decision of ExCom, and will be deducted from first payment of the corresponding tranche.

I. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

The project will be managed in accordance with National Execution (NIM) modality. The Government of China will implement the project through its Foreign Economic Cooperation Office, Ministry of Environmental Protection (FECO/MEP) with supports from UNDP. The MoU between UNDP and FECO/MEP which was signed on 8 January 2011 will serve as the guideline for the overall management on project implementation. The Performance Based Payment (PBP) mechanism will be applied to the implementation of the ICR sector plan project as discussed in this project document.

The project will be technically and managerially implemented in accordance with the framework of the project proposal submitted and approved by the 77th ExCom as contained in Annex III, with