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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fifth Meeting
Montreal, 4-8 April 2005

PROJECT PROPOSAL: ROMANIA

This document consists of the comments and recommendation of the Fund Secretariat on the following project proposal:

Phase out

- National CFC phase-out plan: first tranche

UNIDO and
Sweden

**PROJECT EVALUATION SHEET
(MULTI-YEAR PROJECTS)
ROMANIA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National CFC phase-out plan: first tranche	UNIDO and Sweden
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NATIONAL CO-ORDINATING AGENCY:

Ministry of Environment and Water Management

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP tonnes, 2003, as of October 2004)**

Annex A Group I: CFC	362.1		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes, 2003, as of October 2004)

ODS	Foam	Ref. servicing	Ref. manif.	Aerosol	Solvents	Process agent
CFC-12	0	323*	0	36.0	0	0
CFC-11	0	2.56	0	0	0	0

*Stock at 31 December 2003: 130.5 ODP tonnes CFC-12

CFC consumption remaining eligible for funding (ODP tonnes)	99.3
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2004-2006 Business plan: Sweden - US \$130,000; UNIDO - US \$861,000 (aerosol project included)

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	675.8	337.9	337.9	101.4	101.4	101.4	0	n.a.
	Annual consumption limit	250**	220	146.8	69.7	33.2	16.0	0	n.a.
	Annual phase-out from ongoing projects	0	0	0	46.54	0	0	0	46.54
	Annual phase-out newly addressed	0	14.6	35.8	14.9	17.8	8.4	7.8	99.3
	Annual unfunded phase-out	112.1*	15.4	37.4	15.6	18.7	8.8	8.2	104.2
TOTAL ODS CONSUMPTION TO BE PHASED OUT		112.1*	30.0	73.2	77.04	36.5	17.2	16.0	250.0
Total ODS consumption to be phased-in (HCFCs)		0	0	0	0	0	0	0	0
Project cost as originally submitted (US \$)			278,550	236,750	30,000	0	0	0	545,300
Final Project costs (US \$):									
Funding for lead agency UNIDO			159,050	236,750	30,000	0	0	0	425,800
Funding for Sweden			119,500	0	0	0	0	0	119,500
Total project funding			278,550	236,750	30,000	0	0	0	545,300
Final Support costs (US \$)									
Support cost for lead agency UNIDO			11,929	17,756	2,250	0	0	0	31,935
Support cost for Sweden			15,535	0	0	0	0	0	15,535
Total support costs			27,464	17,756	2,250	0	0	0	47,470
TOTAL COST TO MULTILATERAL FUND (US \$)			306,014	254,506	32,250	0	0	0	592,770
Final project cost effectiveness (US \$/kg)									5.49

*Reduction from the 2003 Article 7 data; **Estimated consumption for 2004

FUNDING REQUEST: Approval in principle of total ODS phase-out, total project funding and total support costs, and approval of funding for first tranche (2005) as indicated above.

SECRETARIAT'S RECOMMENDATION	Individual consideration
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PROJECT DESCRIPTION

1. The National CFC Phase-out Plan (NCP) for Romania aims at achieving complete CFC phase out in all sectors in Romania. The NCP contains proposals for activities and requests for funding by the Multilateral Fund at a total of US \$545,300 to phase out a total of 250 ODP tonnes of consumption until the year 2010.
2. This NCP was prepared by the Ministry of Environment and Water Management (MEWM), with the assistance from UNIDO and Sweden. Romania has ratified the Vienna Convention for the Preservation of Ozone Layer, the Montreal Protocol on ozone depleting substances and its Amendment adopted in London in 1993, followed by ratification of the Copenhagen and the Montreal Amendment in 2000 and 2001, respectively. The ratification of the Beijing Amendment is under an approval process with expected finalisation during 2005.
3. Romania is classified as a high-volume-consuming country that does not export any CFC. Romania has ceased CFC production in 1996 and is currently in the process of reaching a production sector agreement for several ODS, which will also address the sustainability of zero CFC production. During the last years the industry in Romania has been in a state of transition from state to private ownership. This has caused a sharp decline in the demand for ODS. As a consequence, fluctuations in CFC consumption could occur with improvement of the economic situation.
4. The consumption has decreased to below the 50% level (337.9 ODP tonnes) required in 2005 but the trend does not indicate that the 85% level (101.4 ODP tonnes) required in 2007 will be achievable without further measures. CFC imports are likely to be banned by 1 January 2007 as Romania's intention is to fully implement the European Union (EU) requirements with Regulation 2037/2000/CE. The Multilateral Fund has, through UNIDO, successfully assisted Romania in addressing all CFC consumption in the different manufacturing sectors.
5. The first RMP for Romania was approved at the 28th Meeting of the Executive Committee, an update followed at the 41st Meeting. These included, for refrigeration technicians, a train the trainers programme and a national training programme which trained and certified 298 technicians. Furthermore, an additional 548 have passed self-financed training. As there are more than 2,000 service technicians in Romania, further training is needed. Romania established 7 recycling centres, and 350 recovery units as well as other servicing equipment needed for good practice were provided to selected service shops. In 2003, 32 tonnes of refrigerant were recovered, of which 10 tonnes were recycled, the rest reused; 40% of the total, i.e. 12.8 ODP tonnes were CFCs.
6. A number of Customs officers have been trained during the RMP and supplied with five refrigerant identifiers. The RMP did not include training of trainers for the customs authorities, since they have their own educational system to which training needs to be linked with a need for some additional support.

7. All the activities in the servicing sector will aim at changing the work practice for the individual service technician. The impact depends on the activities being implemented as a package that provides the capability together with incentives and disincentives. The plan points out that the key to success is to make “good practice” the same as “good business” for the servicing companies. The related activities are:

- (a) Clarification of the legal and enforcement measures needed to drive and support the change;
- (b) Establishing a “Code of Practice”;
- (c) Education and training of new and existing service technicians;
- (d) Improvement of the national certification/licensing schemes of technicians and enterprises;
- (e) Improvement of the system to reuse ODS (recovery, recycling and reclamation);
- (f) Requirements for regular inspections of refrigeration and air-conditioning systems;
- (g) Requirements for record keeping on site, in the supply chain and service sector;
- (h) Targeted awareness-raising activities; and
- (i) Training of trainer’s component aimed at lecturers from the customs authorities.

8. All of the activities in the servicing sector will aim at changing the work practice for the individual service technician. The impact depends on the activities being implemented as a package, so providing the capability together with incentives and disincentives.

9. It will be important to have credible import controls through customs authorities in place in order to make the industry accept that the phase out will take place as expected. The current import controls include the import licensing system as well as the border controls required to enforce the regulations. The import and export licensing system is in operation since 1996. With the existing customs infrastructure and support from “self-policing” of the market by licensed companies, it can be expected that placing significant amounts of smuggled ODS on the market will be difficult.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

10. The project proposal for the National CFC Phase out Plan (NCP) for Romania focuses on the establishment of a Code of Practices in the country, combined with a training and technician-licensing scheme and incentives through strong import controls. The project proposal

indicates strongly a thorough and detailed planning effort, taking into account the complex interaction between different activities under the plan. The present status of phase out in the country, the successful implementation of the RMP and the well-documented monitoring of the recovery and recycling activities indicate that the country is well prepared for a final phase-out plan.

11. The country has 99.3 ODP tonnes of remaining eligible consumption according to decision 35/57. The phase-out plan addresses all of this remaining eligible consumption. The only future activities eligible to be funded by the Multilateral Fund addressing CFC consumption in Romania would be for Institutional Strengthening.

12. The funding schedule is approximately proportional to the phase out to be achieved in the different years, assuming that the funding has to be approved at latest one year before phase-out is due.

13. A number of minor issues raised by the Secretariat have been settled.

RECOMMENDATION

14. Based on above comments of the Fund Secretariat, the Executive Committee may wish to consider:

- (a) approving, in principle, the National CFC phase-out Plan for Romania, at the amount of US \$545,300 plus agency support costs of US \$47,470 for UNIDO and Sweden;
- (b) approving the associated “Agreement between Romania and the Executive Committee of the Multilateral Fund for the Phase-out of Ozone Depleting Substances”; and
- (c) approving the first tranche of the plan at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National CFC phase-out: first tranche	159,050	11,929	UNIDO
(b)	National CFC phase-out: first tranche	119,500	15,535	Sweden

Annex I

**DRAFT AGREEMENT BETWEEN ROMANIA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Romania and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A (“The Substances”) prior to 2010 (compliance with Protocol schedules).
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A (“The Targets, and Funding”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. 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 to the Substances.
3. Subject to compliance with the following paragraphs 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 10 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 consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 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 the Target has been independently verified as described in paragraph 9; and
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (“Format for Annual Implementation Programmes”) 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 9.

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 use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Implementation Programme, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing subsector:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration servicing sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities, such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

9. 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. UNIDO has agreed to be the lead implementing agency (“Lead IA”) and Sweden has agreed to be a co-operating Agency under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to ensure 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 Co-operating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Co-operating IA with the fees set out in rows 7 and 9 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 1-A 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. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under 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 the amount exceeding the Maximum Allowable Total Consumption of CFCs limit (Appendix 2-A) in any one year.

11. 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 consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Co-operating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Co-operating IA with access to information necessary to verify compliance with this Agreement.

13. 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 SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows:

Annex	Group	Chemical
A	I	CFC-11, CFC-12, CFC-113, CFC-114 and CFC-115

APPENDIX 2-A THE TARGETS, AND FUNDING

	2004	2005	2006	2007	2008	2009	2010	Total*
Montreal Protocol Reduction Schedule (ODP tonnes)	675.8	337.9	337.9	101.4	101.4	101.4	0.0	-
1. Max allowable total consumption of CFCs (ODP tonnes)	250.0**	220	146.8	69.7	33.2	16.0	0.0	-
2. Reduction from on-going projects (ODP tonnes)	0	0	0	46.5	0	0	0	46.5
3. New reduction under plan (ODP tonnes)	0	14.6	35.8	14.9	17.8	8.4	7.8	99.3
4. Unfunded reductions (ODP tonnes)	112.1***	15.4	37.4	15.6	18.7	8.8	8.2	104.2
5. Total annual reduction (ODP tonnes)	112.1***	30.0	73.2	77.04	36.5	17.2	16.0	250.0
6. Lead IA agreed funding (US \$)	-	159,050	236,750	30,000	0	0	0	425,800
7. Lead IA support costs (US \$)	-	11,929	17,756	2,250	0	0	0	31,935
8. Co-operating IA agreed funding (US\$)	-	119,500	0	0	0	0	0	119,500
9. Co-operating IA support costs (US\$)	-	15,535	0	0	0	0	0	15,535
10. Total agreed funding (US \$)	-	278,550	236,750	30,000	0	0	0	545,300
11. Total agency support costs (US \$)	-	27,464	17,756	2,250	0	0	0	47,470
12. Total agreed grant for tranche (US\$)	-	306,014	254,506	32,250	0	0	0	592,770

* Total for 2004 – 2010.

** Estimated Consumption in 2004.

*** Reduction from the 2003 Article 7 data.

APPENDIX 3-A FUNDING APPROVAL SCHEDULE

1. Funding other than the payments in 2005, will be considered for approval at the first meeting of the year of the annual implementation plan.

APPENDIX 4-A FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

1. Data

Country _____

Year of plan _____

of years completed _____

of years remaining under the plan _____

Target ODS consumption of the preceding year _____

Target ODS consumption of the year of plan _____

Level of funding requested _____

Lead implementing agency _____

Co-operating agency _____

2. Targets

Target:				
Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Type of Policy control on ODS Import: servicing, etc	
Public Awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
TOTAL	

7. Administrative Fees

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit (NOU) monitors the consumption data of all ozone depleting substances by mainly review of official statistics on imports and exports; quota issued versus actual and information from authorized of importers and distributors. In this work the licensing system is an important tool to monitor and ensure compliance of the control measures.

2. A project management unit (PMU) will be set up as part of monitoring and implementation of the NCPP to ensure that the project is successfully implemented and the target CFC phase out is fully achieved.

3. The NOU and the PMU will during the NCPP (National CFC phase-out plan) implementation have regular communications with the regional environmental and industry departments, customs offices, education and training institutions and industry associations. The NOU and the PMU will through these discussions secure the correctness of the data reported; training quality and percentage trained and also serve as a basis for analysis and reporting the progress to the Multilateral Fund Secretariat.

4. In order to secure relevant information regarding the CFC quantity and costs (as examples), the recycling and reclamation centres and selected substantive size service workshops will at least be contacted annually by the NOU/PMU for information collection and analysis.

APPENDIX 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

- (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 annual implementation programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Target;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B ROLE OF THE CO-OPERATING IMPLEMENTING AGENCY

1. The Government of Sweden, as co-implementing agency, will be:
 - (a) Assisting the Country in the implementation and verification of the activities funded by the Swedish bilateral quota during 2005 as specified in rows 8 and 9 of Appendix 2-A;
 - (b) Ensuring that disbursements are made to the Country in a timely and effective manner;
 - (c) Reporting to the Lead IA on these activities; and
 - (d) Providing assistance to the country related to the activities being undertaken, when required and within the funds available.

APPENDIX 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$10,980 per ODP tonne of reductions in consumption not achieved in the year.
