Annex XIII

AGREEMENT FOR THE ROMANIA ODS PRODUCTION SECTOR

1. The Executive Committee at its 47th Meeting decided to approve in principle a total of US $ 6,300,000 in funding for the phased reduction and closure of the entire ODS production capacity in Romania consisting of 19,800 ODP tonnes of CTC, 90 ODP tonnes of methyl bromide and 4,750 ODP tonnes of CFC.

2. This is the total funding that would be available to the Government of Romania from the Multilateral Fund for the total permanent closure of all capacities for the production and where applicable, the co-production of the controlled substances in Group I Annex A and Group I Annex B (CFCs), Group II (carbon tetrachloride) and Group I Annex E (methyl bromide), dismantling of methyl bromide and CFC production facilities and/or development of capacity to produce alternatives to these ODSs.

3. The agreed level of funding would be paid out in instalments in the exact amounts specified in Table 1, and on the basis of the following understanding:

(a) By this approval, the Government of Romania agrees that in exchange for the funding level specified in Table 1, it will reduce its total Group I Annex A and Group I Annex B (CFCs), Group II (carbon tetrachloride) and Group I Annex E (methyl bromide) production in accordance with the maximum allowable production in the same table:

Table 1

Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Max. annual allowable Production of CFC (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	0.0						
Max. annual allowable Production of CTC for controlled uses* (ODP tonnes)	170.0	170.0	170.0	0.0	0.0	0.0						
Max. annual allowable Production of methyl Bromide (ODP tonnes)	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Max. annual allowable Production of TCA (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL MLF Grant (US$'000)	3,440	968	1,075	1,290	0	0	0	0	0	0	0	6,773
Project cost (US$ ‘000)	3,200	900	1,000	1,200	0	0	0	0	0	0	0	6,300
Agency fees (US$ ‘000)	240	67.5	75	90	0	0	0	0	0	0	0	472.5

* - except for the uses exempted by a Decision of the Parties to Montreal Protocol

The Executive Committee has also agreed in principle that it will provide funds on the basis of annual programmes. Payments noted in this paragraph (other than the initial tranche for 2005) are conditioned upon completion of agreed production decreases noted in Table 1 being independently verified and maintained and the Government of Romania meeting the other requirements of this agreement.

The funds are to be approved at the second meeting each year, upon the submission by UNIDO and acceptance by the Executive Committee of the verification of the reduction target in the preceding year specified in Table 1, with the exception of the first tranche, which will be released upon approval of this agreement.

(b) The Government of Romania agrees to ensure accurate monitoring of the phase out, and to report regularly, consistent with their obligations under the Protocol and this agreement. The Government of Romania also agrees to allow for independent technical audits administered by the implementing agency, and in addition, as may be directed by the Executive Committee to verify annual ODS production levels agreed in Table 1 and plant dismantling and/or retrofitting or destruction.

(c) The Executive Committee wishes to provide to the Government of Romania with maximum flexibility in using the agreed funds to meet the reduction requirements agreed in Table 1. Accordingly, while Romania’s country programme, sector strategy or other ancillary production related documentation discussed during the preparation of this agreement may have included estimates of specific funds that were thought to be needed for specific items, the Executive Committee is of the understanding that during implementation, as long as it is consistent with this agreement and the mode of implementation included in the Romania project proposal, the funds provided to the Government of Romania pursuant to this agreement may be used in any manner that the Government of Romania believes will achieve the smoothest ODS production phase out possible.

(d) The Government of Romania agrees that the funds being agreed in principle by the Executive Committee at its 47th Meeting for complete closure of its ODS production capacity, is the total funding that will be available to it to enable its full compliance with the ODS production phase out requirements of the Montreal Protocol, and that no additional Multilateral Fund resources will be forthcoming for related activities including the development of infrastructure for the production of alternatives, the import of alternatives or the eventual closure of any HCFC facilities that use existing CFC infrastructure. It is also understood that aside from the agency fee referred to in paragraph (f) below and reflected in Table 1, the Government of Romania and the Multilateral Fund and its Implementing Agency will neither provide nor request further Multilateral Fund related funding for the accomplishment of the total phase out of ODS production in accordance with the schedule noted above and the terms of the strategy being approved. This includes but is not limited to funding for employee compensation and all technical assistance including training.

(e) The Government of Romania understands that if the Executive Committee meets its obligations under this agreement, but the Government of Romania does not meet the reduction requirements outlined in paragraph (a), and the other requirements outlined in this document, the implementing agency and Multilateral Fund will withhold funding for the subsequent tranche of funding outlined in Table 1 until such time as the required reduction has been met or the required dismantling has been recorded. In addition, the Government of Romania understands that the Multilateral Fund will reduce the subsequent tranche and therefore, total funding for the ODS production closure on the basis of US $1,000 per ODP tonne of reductions not achieved in any year of this agreement. It is clearly understood that the fulfilment of this agreement depends on satisfactory performance of its obligations by both the Government of Romania and the Executive Committee.

(f) UNIDO has agreed to be the implementing agency for this project. The agency fee for the project will be at a fee of 7.5% of project costs, and released together with the annual tranches. As the implementing agency during that time period, UNIDO agrees to be responsible for:

(i) Ensuring/providing independent verification to the Executive Committee that the phase out targets and associated activities have been met;

(ii) Ensuring that technical reviews arranged by UNIDO are undertaken by appropriate independent technical experts;

(iii) Assisting the Government of Romania in the development of its annual work programme, which incorporates achievements in previous annual programmes;

(iv) Carrying out supervision missions as required;

(v) Ensuring the presence of an effective operating mechanism to enable effective, transparent implementation of the programme and accurate, verified reporting of data;

(vi) Ensuring that disbursements are made to the Government of Romania based on agreed performance targets in the project, and the provisions of this agreement; and

(vii) Independently verifying for the Executive Committee that any dismantling of ODS production lines is done appropriately by ensuring that the reactor, distillation towers, receiver tanks for finished products, and control and monitoring equipment are dismantled and rendered unusable for future ODS production, and are disposed of.

(g) The funding components of this agreement shall not be modified on the basis of future Executive Committee decisions that may affect the funding of the ODS production sector or any related activity.

(h) 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 described to them in the Montreal Protocol unless otherwise defined herein.