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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: CUBA**

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

Phase-out

- National ODS phase-out plan for CFCs: 2005 annual implementation plan Germany,  
Canada, France,  
and UNDP

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

**PROJECT TITLE** **BILATERAL/IMPLEMENTING AGENCY**

National ODS phase-out plan for CFCs: 2005 annual implementation plan	Germany, Canada, France, & UNDP
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**SUB-PROJECT TITLES**

(a) R & R	Canada
(b) Retrofit commercial refrigeration	UNDP
(c) Retrofit AC	France
(d) Technical assistance	Germany

<b>NATIONAL CO-ORDINATING AGENCY:</b>	National Ozone Unit, OTOZ
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**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE 7 DATA (ODP tonnes, 2004, as of February 2005)**

Annex A Group I, CFCs in refrigeration	316		
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**B: COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes, 2004, as of February 2005)**

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
Annex A		316	129	Annex B	1		

<b>CFC consumption remaining eligible for funding (ODP tonnes)</b>	n/a
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**CURRENT YEAR BUSINESS PLAN: Total funding US \$695,890: total phase-out 115 ODP tonnes**

<b>PROJECT DATA</b>		2004	2005	2006	2007	2008	2009	2010	Total
<b>CFCs</b>  (ODP tonnes)	Montreal Protocol limits	0	312	0	0	93,6	0	0	n.a.
	Annual consumption limit	445	312	0	0	93	0	0	n.a.
	Annual planned phase-out from MDI project (not covered under this project)	0	0	0	0	111	0	0	111
	Annual planned phase-out in refrigeration	0	115	45	45	57	93	0	355
	Aerosol phase-out (not covered under this project)	0	18	0	0	0	0	0	18
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT in refrigeration</b>		0	115	45	45	57	93	0	445
<b>Final Project costs (US \$):</b>									
Funding for lead agency GTZ		120,000	116,000	100,000	80,000	70,000	50,000	0	536,000
Funding for France		200,000	200,000	200,000	100,000	36,000	0	0	736,000
Funding for Canada		400,000	62,000	0	0	0	0	0	462,000
Funding for UNDP		0	250,000	161,000	0	0	0	0	411,000
<b>Total project funding</b>		720,000	628,000	461,000	180,000	106,000	50,000	0	2,145,000
<b>Final Support costs (US \$)</b>									
Support costs for lead agency GTZ		15,600	15,080	13,000	10,400	9,100	6,500	0	69,680
Support costs for France		26,000	26,000	26,000	13,000	4,680	0	0	95,680
Support costs for Canada		52,000	8,060	0	0	0	0	0	60,060
Support costs for UNDP		0	18,750	12,075	0	0	0	0	30,825
<b>Total support costs</b>		93,600	67,890	51,075	23,400	13,780	6,500	0	256,245
<b>TOTAL COST TO MULTILATERAL FUND (US \$)</b>		813,600	695,890	512,075	203,400	119,780	56,500	0	2,401,245

**FUNDING REQUEST: Approval of funding for 2005 tranche as indicated above.**

<b>SECRETARIAT'S RECOMMENDATION</b>	Blanket approval
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## PROJECT DESCRIPTION

1. The National CFC Phase-Out Plan for Cuba was approved at the 43rd Meeting of the Executive Committee in July 2004 with a total value of US \$2,145,000 and agency support cost of US \$256,245, which was approved in principle to phase out 498.5 ODP tonnes of CFC. The Governments of Germany, Canada and France are participating in the implementation of the Plan as bilateral agencies. UNDP is also involved as an implementing agency. The lead implementing agency is the Government of Germany. The first funding tranche at the amount of US \$720,000 plus US \$93,600 agency support costs was released on approval of the First Phase Implementation Work Plan covering the period August 2004-December 2004.

2. The agreed CFC consumption limits and reduction targets, as well as the disbursement schedule under the Agreement between the Government of Cuba and the Executive Committee, are shown in the table below:

	2004	2005	2006	2007	2008	2009	2010	Total
1. Max. allowable total consumption of Annex A Group I substances (ODP tonnes)	491	312	195	150	93	0	0	
2. Reduction from ongoing projects	0	65	72					137.0
3. New reduction under plan	0	129	45	45	57	85.5		361.5
4. Total annual reduction Annex A Group I substances (ODP tonnes)	0	194	117	45	57	85.5	0	498.5
5. Max. allowable total consumption of Annex B Group II substances (ODP tonnes)	2.7	0.4	0.4	0.4	0.4	0.4	0	
6. Reduction from ongoing projects								
7. New reduction under plan			0.1					0.1
8. Total annual reduction of Annex B Group II substances (ODP tonnes)			0.1					0.1

3. The Government of Germany, as the lead implementing agency, has submitted to the 45th Meeting a request for the release of the 2005 funding tranche at the amount of US \$628,000 plus US \$67,890 support costs for the 2005 annual implementation programme. The request is accompanied by the progress report on the August – December 2004 first phase implementation activities and achievements, together with the Second Phase Implementation Programme covering the period of January-December 2005.

### 2004 Progress Report

4. In 2003, Cuba reported its Article 7 CFC consumption at the level of 481 ODP tonnes. According to the Agreement, the 2004 consumption should not exceed 491 ODP tonnes, which

should be further reduced by 179 ODP tonnes to achieve the 2005 target of 312 ODP tonnes. Cuba's baseline for CFCs is 625 ODP tonnes. The reduction has been envisaged through implementation of ongoing projects in aerosol and MDI sectors and from new phase-out activities in the refrigeration servicing sector.

5. The Secretariat has been advised by UNDP that completion of a conversion project in the aerosol sector is expected no earlier than in June 2005, and the start of production of non-CFC MDI products will be postponed until the end of 2005.

6. The Government of Germany reported on a number of preparation activities accomplished in the August – December 2004 period, including: financial arrangements between three bilateral agencies and national stockholders, preparation of a pilot phase retrofit of the first 15 commercial refrigeration systems, preparation for conducting training courses for refrigeration technicians, including retrofit, and bidding for procurement of refrigeration servicing tools. Arrangements have been developed to start retrofit activities of 830 commercial refrigeration and small air-conditioning units with the date of completion in the middle of 2006. The above activities will not have had any direct impact on the reduction of CFC consumption in 2005.

7. The progress indicates that measures have been taken by the Government of Cuba through the existing licensing system to control the level of CFC imports into the country.

#### 2005 Annual implementation Programme

8. The 2005 Programme focuses on the continuation of activities initiated in 2004, including training in refrigeration servicing and retrofitting, retrofitting refrigeration and air-conditioning equipment and implementation of the recovery and recycling programme. The requested budget of US \$628,000 and the breakdown of costs and associated activities are reflected in the attached document.

9. The 2004 consumption of 445 ODP tonnes is taken as the basis. The reduction target of 133 ODP tonnes is distributed between the aerosol sector (18 ODP tonnes resulting in the implementation of an ongoing project) and refrigeration sector (115 ODP tonnes). The direct impact of proposed activities in the refrigeration sector is estimated at 46 ODP tonnes. Additionally, 69 ODP tonnes will be phased out through the application of government control measures.

10. The development of new policies and guidelines at the government level will continue in 2005.

### **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

#### **COMMENTS**

11. Initially, the Government of Germany submitted the 2005 Annual Work Programme indicating the target of 50 ODP tonnes of phase-out through implementation of the ongoing MDI

project. The Secretariat drew the Government of Germany's attention to the delays in the implementation of the MDI project (complications in negotiating the terms of supply of the technology and production equipment) and the aerosol project being implemented by UNDP. The Secretariat referred to the role and responsibilities of the lead implementing agency formulated in the Agreement and urged for closer cooperation between the lead and other implementing agencies involved.

12. The Secretariat warned the Government of Germany that late implementation of phase-out activities in the second half of 2005 may not result in the expected reduction of CFC consumption for the whole year and could therefore require additional efforts to compensate for the shortfall. The Government of Germany clarified that the legislative system in Cuba will be used as appropriate to ensure meeting the 2005 target.

13. The Secretariat also pointed out the overestimated reduction targets related to chiller retrofitting activities.

14. The Government of Germany revised the 2005 Programme taking into account the Secretariat's comments.

15. Achievement of the reduction targets relies very much on the legislative system in Cuba controlling the use of CFCs. The Government of Cuba has enacted regulations for imports and exports of ODS and ODS-based products. Specifically, Resolution N° 65 of 10 June 1999 by the Ministry of Science, Technology and Environment established, *inter alia*, a timetable for the reduction of ODS imports, exports and manufacturing, as well as of the equipment and technology that uses these chemicals; and as of 31 December 1998, every association that produces equipment, manufactures or imports systems using ODS in their production processes and/or offering services is obliged to inform the Environment Agency on the actual production, use or destination of these substances.

## RECOMMENDATION

16. The Fund Secretariat recommends blanket approval of the second tranche of the project with associated support costs at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National ODS phase-out plan for CFCs: 2005 annual implementation plan	116,000	15,080	Germany
(b)	National ODS phase-out plan for CFCs: 2005 annual implementation plan	200,000	26,000	France
(c)	National ODS phase-out plan for CFCs: 2005 annual implementation plan	62,000	8,060	Canada
(e)	National ODS phase-out plan for CFCs: 2005 annual implementation plan	250,000	18,750	UNDP

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