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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fifth Meeting
Montreal, 25-29 May 2020
Postponed to 19-22 July 2020*

PROJECT PROPOSALS: MONTENEGRO

This document consists of the comments and recommendations of the Secretariat on the following project proposals:

Phase-out

- HCFC phase-out management plan (stage I, fifth tranche) UNIDO
- HCFC phase-out management plan (stage II, first tranche) UNIDO

* Due to coronavirus disease (COVID-19)

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.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Montenegro

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage I)	UNIDO (lead)	63 rd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2019	0.05 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2019		
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.05				0.05

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.80	Starting point for sustained aggregate reductions:	0.80
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.28	Remaining:	0.52

(V) BUSINESS PLAN		2020	Total
UNIDO	ODS phase-out (ODP tonnes)	0.01	0.01
	Funding (US \$)	22,575	22,575

(VI) PROJECT DATA			2011	2013	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
Maximum allowable consumption (ODP tonnes)			n/a	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
Agreed funding (US \$)	UNIDO	Project costs	155,000	100,000	98,500	0	0	0	30,000	21,000	404,500
		Support costs	11,625	7,500	7,388	0	0	0	2,250	1,575	30,338
Funds approved by ExCom (US \$)		Project costs	155,000	100,000	98,500	0	0	0	30,000	0	383,500
		Support costs	11,625	7,500	7,388	0	0	0	2,250	0	28,763
Total funds requested for approval at this meeting (US \$)		Project costs								21,000	21,000
		Support costs								1,575	1,575

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Montenegro, UNIDO as the designated implementing agency has submitted a request for funding for the fifth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$21,000, plus agency support costs of US \$1,575.¹ The submission includes a progress report on the implementation of the fourth tranche, the verification report on HCFC consumption for 2016 to 2019, and the tranche implementation plan for 2020-2021.

Report on HCFC consumption

2. The Government of Montenegro reported a consumption of 0.05 ODP tonnes of HCFC in 2019, which is 94 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Montenegro (2015-2019 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	Baseline
Metric tonnes (mt)	12.16	11.29	3.54	3.09	0.94	13.9
ODP tonnes	0.67	0.62	0.19	0.17	0.05	0.8

3. Montenegro only consumes HCFC-22 in the refrigeration servicing sector. In 2012 0.94 ODP tonnes of HCFC-22 were imported in anticipation of the freeze in 2013; since then, consumption decreased as stocks were used and activities included in the HPMP were implemented, including training of refrigeration technicians and recovery and recycling (R&R) of refrigerants. In addition, the increased uptake in the market of non-HCFC-based refrigeration and air-conditioning (RAC) equipment further decreased consumption of HCFC-22. The decrease in consumption in 2019 was due to the approval of the quota for only one out of the three importers that submitted a request for a quota to import HCFC-22, and because unused quotas are not transferable.

CP implementation report

4. The Government of Montenegro reported HCFC sector consumption data under the 2019 CP implementation report which is consistent with that reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports; that the total consumption of HCFCs reported under Article 7 of the Protocol for 2016 to 2019 was correct (as shown in Table 1 above); and was well below the Montreal Protocol and the HPMP targets. The verification indicated that ODS and ODS mixtures are harmonized with the European Union tariff system and the Harmonized Customs Codes.

6. The verification report recommended updating the training materials for service technicians to focus on handling flammable and toxic refrigerants; organizing workshops for new trainers and updating the competences of existing trainers, along with providing new equipment for alternative technologies to training centres and technicians. The report further noted the potential need to retrofit RAC equipment to non-ODS alternatives to ensure the sustainability of the total phase-out after 2025 due to a large number of HCFC-22-based equipment still in operation.

¹ As per the letter of 3 March 2020 from the Nature and Environmental Protection Agency of Montenegro to UNIDO.

7. Additional recommendations from the verification report include: banning the import of refrigerants in disposable cylinders; continue the operation of R&R scheme; selling refrigerants only to authorized service workshops; establishing a technician's certification scheme; continue recording of equipment that contains more than 3 kg of refrigerants; and establishing mandatory equipment logbooks.

8. UNIDO indicated that the Government has taken into consideration the recommendations, which will be implemented as relevant during the implementation of the fifth tranche and stage II of the HPMP.

Progress report on the implementation of the fourth tranche of the HPMP

Legal framework

9. The Government of Montenegro has an enforceable system of licensing and quotas for HCFC imports and exports in place. Imports and/or exports of ODS are administered by the Nature and Environmental Protection Agency (NEPA) through a permit system, with permits to be issued for each shipment. Only non-HCFC-22-based equipment is imported since January 2012.

10. The ODS Decree, the Law on Air Protection, the Law on Waste Management and the Law on Climate Change *inter alia* regulate the phase-out of ODS; define conditions and procedures for import, export and placing on the market, including keeping records of sales and reporting to NEPA, collection, use and permanent disposal of ODS and alternative substances, and products or equipment containing these substances after end of life; and establish licenses to RAC service technicians and workshops handling ODS and alternative substances (F-gases) and penalties for releasing ODS and alternative substances into the atmosphere.

11. A Law on the Protection against the Adverse Impacts of Climate Change was issued on 1 January 2020, and includes provisions regarding the protection of the ozone layer including penalties for releasing ODS and alternative substances into the atmosphere. The Ministry of Sustainable Development and Tourism plans to draft and adopt sub-laws which will additionally regulate ODS/F-gases. In October 2018, the Customs Administration established a Training Center Unit for training all customs officers, including on environmental matters and Montreal Protocol.

12. The licensing and quota system includes ODS that have already been phased out, for which no licenses and quotas are provided; each year, NEPA requests information from the Customs Administration on the import and export of all ODS, including those that have been phased out. There were no cases of illegal imports of ODS that have already been phased out, and the country was not aware of the use in its market of ODS that have already been phased out, nor of any stockpiles of such substances.

13. Montenegro ratified the Kigali Amendment of the Montreal Protocol on 25 April 2019.

Institutional strengthening (IS)

14. The NOU reports to NEPA which in turn is under the Ministry of Sustainable Development and Tourism. Funding to the NOU (i.e., IS project) was included under stage I of the HPMP. The following activities implemented under the fourth tranche related to the IS project only:

- (a) Issuing import/export permits; development of laws and regulations; monitoring the implementation of the HCFC phase-out strategy; preparation and introduction of legislative and administrative measures supporting ODS phase-out; ensuring a liaison for governmental agencies involved in ODS phase-out; conducting public awareness activities among primary and secondary schools, and on national television to raise awareness of the Montreal Protocol and ozone layer depletion;

- (b) Continued monitoring of ODS consumption, reporting data under Article 7 of the Protocol and under the CP data report, and data on recovered and recycled refrigerants; and updating the inventory of HFC-based equipment that was established under the ODS alternatives survey based on additional data received from service technicians;
- (c) Attending expert meetings, regional UNEP Compliance Assistance Programme meetings, and Montreal Protocol meetings; and
- (d) Participation in the mechanism on Informal Prior Informed Consent of Export and Import of ODS.

Project implementation and monitoring unit (PMU)

15. There is no PMU established under stage I of the HPMP for Montenegro. The NOU and UNIDO monitored the implementation of the HPMP and prepared the corresponding reports for the fifth and final tranche.

Level of fund disbursement

16. As of February 2020, of the US \$383,500 approved so far, US \$373,300 had been disbursed as shown in Table 2. The balance of US \$10,200 will be disbursed in 2020.

Table 2. Financial report of stage I of the HPMP for Montenegro (US \$)

Tranche	Approved	Disbursed	Disbursement rate (%)
First	155,000	155,000	100
Second	100,000	100,000	100
Third	98,500	98,500	100
Fourth	30,000	19,800	66
Total	383,500	373,300	97

Implementation plan for the fifth tranche of the HPMP

17. The following activities will be implemented until December 2021:
- (a) Support to the NOU as part of the IS component (US \$13,500);
 - (b) Public awareness on legislation and actions to promote the HCFC phase-out (US \$4,500); and,
 - (c) Monitoring and reporting of HPMP implementation (US \$3,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Progress report on the implementation of the fourth tranche of the HPMP

Legal framework

18. The Government of Montenegro has already issued HCFC import quotas for 2020 at 0.17 ODP tonnes (3.13 mt), which is 67 per cent below the Montreal Protocol control targets.

19. Regarding implementation of the recommendations included in the verification report, the Ministry of Sustainable Development and Tourism will adopt new regulations on disposable cylinders, selling of refrigerants, and logbooks of RAC equipment. The ban on the import of refrigerants in disposable cylinders will enter into force in June 2020.

Refrigeration servicing sector

20. With regard to the verification recommendation on retrofitting HCFC-based RAC equipment, the Secretariat requested UNIDO to advise the country of decisions 72/17 and 73/34. Consequently, if the country were to proceed with retrofits to flammable and/or toxic refrigerants, it would do so assuming all associated responsibilities and risks, and following relevant standards and protocols. Furthermore, decision 72/41 encouraged Article 5 countries to consider implementing activities related to training of technicians, good practices, the safe handling of refrigerants, containment, recovery and recycling and reuse rather than retrofitting. UNIDO confirmed that retrofitting will not be supported under the HPMP.

Gender policy implementation²

21. UNIDO indicated that while the HPMP was approved prior to the adoption of the gender policy of the Fund, the Government had committed to ensure that gender mainstreaming will be part of the implementation of the final tranche of the HPMP. UNIDO will also provide support through the use of its gender mainstreaming manual, and will ensure that future activities include specific indicators that will be included in future progress reports.

Sustainability of the HCFC phase-out

22. The sustainability of the HCFC phase-out in Montenegro is supported by current controls on the import of HCFCs and HCFC-based equipment, in effect since 2012, and continued customs and enforcement officer training, including that at the recently established Training Centre Unit, as well as continued training and improved servicing practices and certification of technicians, and the establishment of the RAC association. In addition, consumption in the servicing sector will decrease through the established scheme of refrigerant reuse.

Conclusion

23. The HPMP implementation is progressing and the country is in compliance with the Montreal Protocol and its Agreement with the Executive Committee. The verification report confirmed that the country's licensing and quota system is operational, and the 2019 HCFC consumption of 0.05 ODP tonnes was already 94 percent below the country's baseline. The Government has taken into consideration the verification recommendations, which will be implemented as relevant. The level of fund disbursement is nearly 100 per cent. The country ensures the sustainability of previously phased out ODS through its licensing and quota system, as well as other rules and regulations. The activities implemented to date for the servicing sector, including the establishment of the RAC association, will ensure the long-term sustainability of the HCFC phase-out. Stage I of the HPMP will be completed by December 2021 as stipulated in the HPMP Agreement and stage II is being submitted to the present meeting.

² Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

RECOMMENDATION

24. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the fourth tranche of stage I of the HCFC phase-out management plan of (HPMP) for Montenegro; and
- (b) Requests UNIDO to include, as part of the second tranche for stage II of the HPMP of Montenegro, an update on progress towards implementing the recommendations in the verification report submitted to the 85th meeting.

25. The Fund Secretariat further recommends blanket approval of the recommends blanket approval of the fifth and final tranche of stage I of the HPMP for Montenegro, and the corresponding 2020-2021 tranche implementation plan, at the funding level shown in the table below, on the understanding that if Montenegro were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, fourth tranche)	21,000	1,575	UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Montenegro

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (stage II)	UNIDO (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2019	0.05 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2019
Chemical	Aerosol	Foam	Fire fighting	Refrigeration	Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Service			
HCFC-22					0.05			0.05

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.80	Starting point for sustained aggregate reductions:	0.80
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.28	Remaining:	0.52

(V) BUSINESS PLAN		2020	2021	2022	Total
UNIDO	ODS phase-out (ODP tonnes)	0.20	0	0.30	0.50
	Funding (US \$)	186,043	0	236,837	422,880

(VI) PROJECT DATA			2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			0.52	0.52	0.52	0.52	0.52	0.26	n/a
Maximum allowable consumption (ODP tonnes)			0.52	0.39	0.23	0.15	0.08	0	n/a
Projects costs requested in principle (US \$)	UNIDO	Project costs	296,500	0	275,000	0	0	64,000	635,500
		Support costs	20,755	0	19,250	0	0	4,480	44,485
Total project costs requested in principle (US \$)			296,500	0	275,000	0	0	64,000	635,500
Total support costs requested in principle (US \$)			20,755	0	19,250	0	0	4,480	44,485
Total funds requested in principle			317,255	0	294,250	0	0	68,480	679,985

(VII) Request for funding for the first tranche (2020)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNIDO	296,500	20,755
Funding request:	Approval of funding for the first tranche (2020) as indicated above	

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

Background

26. On behalf of the Government of Montenegro, UNIDO as the designated implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at the amount of US \$635,500, plus agency support costs of US \$44,485, as originally submitted.³ The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2025.

27. The first tranche for stage II of the HPMP being requested at this meeting amounts to US \$296,500, plus agency support costs of US \$20,755 for UNIDO, as originally submitted.

Status of implementation of stage I of the HPMP

28. Stage I of the HPMP for Montenegro was originally approved at the 63rd meeting⁴ and revised at the 71st meeting⁵ to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US \$404,500, plus agency support costs to phase-out 0.52 ODP tonnes of HCFCs used in the RAC servicing sector and including IS at the level of US \$240,000 for eight years starting July 2012. The progress in the implementation of stage I of the HPMP, including an analysis of the HCFC consumption; the progress and financial reports on the implementation; and the request for the fifth and final tranche submitted to the present meeting, is presented in paragraphs 2 to 23 of the present document.

Stage II of the HPMP

Remaining consumption eligible for funding

29. After deducting 0.28 ODP tonnes of HCFC-22 associated with stage I of the HPMP, the remaining consumption eligible for funding in stage II amounts to 0.52 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

30. Montenegro only consumes HCFC-22 to service unitary and split systems, commercial cold stores, chillers, and air-conditioning and heat pumps. There is no consumption for installing and assembling new equipment given the 2012 ban. In 2017 approximately 40 HCFC-22-based air-conditioning units were retrofitted to R-404A without funding from the Multilateral Fund. Remaining installed quantities and annual needs for servicing are given in Table 3.

Table 3. Remaining installed quantities

Sector		Number of units	HCFC bank (mt)	Leakage (%)	Annual needs for servicing (mt)	% of the total annual needs for servicing
Air conditioning (unitary and split systems)	Households	56,455	45.16	10	4.52	64.30
	Others	14,595	11.68	10	1.17	16.64
	Sub-total	71,050	56.84		5.69	80.94
Commercial refrigeration	Cold stores	93	2.70	30	0.81	11.52
Chillers (air- conditioning and industry)		10	1.39	25	0.35	4.98
AC and heat pumps		33	0.7	25	0.18	2.56
	Total	71,186	61.63		7.03	100

³As per the letter of 30 January 2020 from the Nature and Environmental Protection Agency of Montenegro to UNIDO.

⁴UNEP/OzL.Pro/ExCom/63/44.

⁵Annex XXII of UNEP/OzL.Pro/ExCom/71/64.

Phase-out strategy in stage II

31. Stage II of the HPMP for Montenegro will phase out the remaining consumption of HCFCs by 2025, through the following activities in the RAC servicing sector:

- (a) Two one-day workshops for 50 customs officers on ODS import controls and training of four environmental inspectors to enforce new regulations related to the management of refrigerants; strengthened coordination among the NOU, RAC association, ODS supply chain and customs authorities to prevent and handle potential illegal trade; and purchase of five refrigerant identifiers for customs and environmental inspections (US \$54,250);
- (b) Training for six new refrigeration technicians to become trainers; and training and certification of 100 technicians through five workshops on good service practices including management of natural and synthetic refrigerants, energy efficiency, safety issues, service and maintenance, R&R operations, proper installation of RAC equipment, F-gas regulation, and standards⁶ (US \$133,750);
- (c) Improvement of the training centers capacity through the procurement and transference of two CO₂ demonstration stands, two hydrocarbon demonstration stands, and other equipment and tool sets for educational purposes and simulating different types of breakdowns of RAC equipment and proper installation and maintenance (US \$65,000);
- (d) Procurement of 100 sets of tools and equipment⁷ for workshops and technicians in managing HCFC-22 and alternative refrigerants. An accurate updated assessment of the needs will be undertaken prior to the procurement of the suggested equipment (US \$100,000);
- (e) Procurement of a new refrigerant reclamation unit and ancillary equipment to continue the re-use scheme and monitoring refrigerant quality (US \$30,000); and
- (f) Support to RAC association and upgrading the code of good practice, including safe practices for low-GWP alternatives (US \$15,000).

Project implementation and monitoring

32. The system established under stage I of the HPMP will continue into stage II, where the NOU and UNIDO monitor activities, report progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US \$25,000 for stage II.

IS

33. The Government of Montenegro decided to continue including the IS as part of stage II of the HPMP. Among the responsibilities of the NOU are: operation of the HCFC import/export permits, proposing, preparing and introducing legislative and administrative measures supporting ODS phase-out, monitoring the implementation of the HCFC phase-out strategy and activities ensuring a liaison for governmental agencies involved in ODS phase-out, reporting consumption of controlled substances to the Multilateral Fund Secretariat (CP data report) and the Ozone Secretariat (Article 7 of the Protocol),

⁶ EN 378 part 1-4, standards and regulations is adopted in Montenegro as MEST EN 378-1:2018 and the competent body of application is the Institute for Standardization of Montenegro.

⁷ The suggested sets contain portable recovery machines, vacuum pump, charging station, digital vacuum gauge, digital charging scale, portable sound leak detectors, refrigerant recovery cylinders, and spare parts and consumables (filters, connectors, valves, etc.), portable soldering kit, nitrogen cylinder, oil testing kit, and servicing toolbox (tubing tools, pliers, wrenches, etc.).

prevention of potential illegal trade of controlled substances, and public awareness activities such as organizing technical seminars/workshops and printing and distribution of brochures. The total funding request for the IS amounts to US \$212,500.

*Gender policy implementation*⁸

34. During implementation of the HPMP gender-balanced participation of government counterparts and industry representatives will be promoted and gender specific data will be collected. It will seek to ensure that female experts in the private sector and in government be given equal opportunities to participate in the implementation of activities, including by ensuring that women and men have equal access to equipment and material provided in training and workshops, and by promoting women as trainers in the RAC sector. Gender will be included in training materials. Furthermore, all NOU, national and international experts to be recruited under stage II of the HPMP will have to successfully complete the online course “I Know Gender” on the UN Women’s eLearning Campus.

Total cost of stage II of the HPMP

35. The total cost of stage II of the HPMP for Montenegro has been estimated at US \$635,500 (plus agency support costs), as originally submitted for achieving 100 per cent reduction from its HCFC baseline consumption by 2025. The proposed activities and costs are summarized in Table 4.

Table 4. Total cost of stage II of the HPMP for Montenegro as submitted

Activity	Cost (US \$)
Customs and enforcement	
Training	34,250
Refrigerant identifiers	20,000
Refrigeration servicing	
Training	133,750
Technical equipment	165,000
Re-use scheme and capability to monitor quality of refrigerants	30,000
Support to the RAC association and upgrading the code of good practice	15,000
Monitoring and reporting	25,000
IS (including awareness raising and outreach information)	212,500
Total	635,500

Activities planned for the first tranche of stage II

36. The first funding tranche of stage II of the HPMP at the total amount of US \$296,500, will be implemented in 2020 and 2021 and will include the following activities:

- (a) Training of 20 customs officers and four environmental inspectors on ODS import controls and training of four environmental inspectors to enforce new regulations related to the management of refrigerants and purchase of five refrigerant identifiers (US \$30,000)
- (b) Training and certification of six trainers according to F-gas requirements and of approximately 20 technicians on good service practices, including management of natural and synthetic refrigerants (US \$74,000);
- (c) Procurement of four units to demonstrate the correct use of refrigerants and simulation of equipment breakdowns and repairs for the training centres (US \$62,500);

⁸ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

- (d) Procurement of 15 set of tools and equipment to be distributed among workshops and technicians (US \$25,000);
- (e) Support to the RAC association and upgrading the code of good practices (US \$10,000);
- (f) Monitoring of HPMP performance targets (US \$10,000); and
- (g) Renewal of IS support (US \$85,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

37. The Secretariat reviewed stage II of the HPMP in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2020-2022 business plan of the Multilateral Fund.

Regulations to support HCFC phase-out

38. Enforcement on the regulations to ban the import of HCFC-based equipment established by the Government since 1 January 2012 will continue. The import/export license and quota system will be updated based on the following reductions from the HCFC baseline for compliance: 50 per cent in 2021; 70 per cent in 2022; 80 per cent in 2023; 90 per cent in 2024; and 100 per cent in 2025.

Technical and cost-related issues

39. Noting the 2012 ban on the import of HCFC-based equipment, and that some of that equipment may have a useful life that extends beyond 2025, the Secretariat asked whether the country would be able to achieve a total HCFC phase-out by 2025, and how any HCFC-based equipment that remained in operation after 2025 would be serviced. UNIDO confirmed that the Government would ban the import of HCFCs on 1 January 2025; it was expected that the working life of the HCFC-based equipment that had been installed up to 2012 would be coming to an end, and, thus, reducing the demand for HCFC-22. Equipment that was maintained in operation after 1 January 2025 would be serviced through the re-use scheme or by replacing with new equipment. An incentive programme for replacement of such equipment was not envisaged.

IS component

40. The Executive Committee decided to review IS, including funding levels, at the first meeting in 2020 (decision 74/51), and to consider increasing funding for IS at a future meeting in accordance with paragraph 20 of decision XXVIII/2 (decision 78/4(b)). In reviewing stage II of the HPMP, the Secretariat noted that in line with paragraph 16 of the Agreement between the Government and the Executive Committee, Montenegro would not benefit from any increase in IS support the Executive Committee may decide, unless otherwise decided. Accordingly, the Secretariat suggested that the country may wish to consider not integrating the IS project into the HPMP and instead submitting its IS renewal projects separately. The Secretariat further noted that should the Government of Montenegro nonetheless wish to maintain its IS project as part of the HPMP, future tranche requests should include the duly completed IS renewal request, in line with the approved format (decision 74/51). However, UNIDO, on behalf of the Government of Montenegro, reiterated the country's request to keep the IS project as part of the HPMP.

Total project cost

41. The total costs for stage II of the HPMP amounts to US \$635,500, based on decision 74/50(c)(xii) on the eligible funding level for a low-volume consuming country (i.e., US \$587,500 for the total phase-out minus US \$164,500 that had been approved for the 35 per cent reduction in 2020) and the IS project included in stage II of the HPMP, amounting to US \$212,500. The funding for the first tranche was agreed as submitted, i.e., US \$211,500 for activities of the HPMP, and US \$85,000 for the IS project.

Impact on the climate

42. The proposed activities in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in a savings of approximately 1.8 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Montenegro, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reuse, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

43. The Government and main country stakeholders will support the development of programmes and projects with their technical and logistical capabilities.

2020-2022 draft business plan of the Multilateral Fund

44. UNIDO is requesting US \$679,985 (including support costs) for the implementation of stage II of the HPMP for Montenegro. The total value requested of US \$504,505 including support costs for the period 2020–2022, is US \$188,625 above the amount in the business plan.

Draft Agreement

45. A draft Agreement between the Government of Montenegro and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

46. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Montenegro for the period from 2020 to 2025 for the complete phase-out of HCFC consumption, in the amount of US \$635,500, plus agency support costs of US \$44,485 for UNIDO, on the understanding that no more funding would be provided from the Multilateral Fund for the phase-out of HCFCs and no servicing tail will be needed;
- (b) Noting the commitment of the Government of Montenegro to completely phase out HCFCs by 1 January 2025 in advance of the Montreal Protocol phase-out schedule, and to ban the import of HCFCs by 1 January 2025;
- (c) Noting that future tranche submissions would include the report on institutional strengthening (IS) activities in line with the format approved in decision 74/51, or any subsequent decisions taken by the Executive Committee on the format for IS renewals;
- (d) Deducting 0.52 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

- (e) Approving the draft Agreement between the Government of Montenegro and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex I to the present document; and
- (f) Approving the first tranche of stage II of the HPMP for Montenegro, and the corresponding tranche implementation plan, in the amount of US \$296,500, plus agency support costs of US \$20,755 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF MONTENEGRO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN

Purpose

1. This Agreement represents the understanding of the Government of Montenegro (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 0 ODP tonnes by 1 January 2025 in compliance with Montreal Protocol schedule.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. 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 any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).
3. Subject to compliance 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 3.1 of Appendix 2-A 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 agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
 - (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

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 implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

Flexibility in the reallocation of funds

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Changes which would modify any clause of this Agreement;
 - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;
 - (iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche; and
 - (v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;
- (b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report; and

- (c) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

Considerations for the refrigeration servicing sector

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

Bilateral and implementing agencies

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 (the “Lead IA”) in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub paragraph 5(b). The role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

Non-compliance with the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-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. At 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 tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the Country.

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

Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

15. All of the conditions 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 Montreal Protocol unless otherwise defined herein.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	0.80

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.52	0.52	0.52	0.52	0.52	0.26	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.52	0.39	0.23	0.15	0.08	0	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	296,500	0	275,000	0	0	64,000	635,500
2.2	Support costs for Lead IA (US \$)	20,755	0	19,250	0	0	4,480	44,485
3.1	Total agreed funding (US \$)	296,500	0	275,000	0	0	64,000	635,500
3.2	Total support costs (US \$)	20,755	0	19,250	0	0	4,480	44,485
3.3	Total agreed costs (US \$)	317,255	0	294,250	0	0	68,480	679,985
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)							0.52
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)							0.28
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							0

*Date of completion of stage I as per stage I Agreement: 31 December 2021.

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five parts:

- (a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase-out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;
- (b) An independent verification report of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub paragraphs 1(a) to 1(d).

2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
- (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. All the monitoring activities will be coordinated and managed through the project "Monitoring and Management Unit", within the national ozone unit (NOU).

2. The NOU, under the Nature and Environmental Protection Agency (NEPA), is responsible for coordinating the country action plan with respect to ozone layer protection and facilitation of ODS phase-out. The NOU is in charge of implementing the country programmes under the Montreal Protocol. Implementation of the planned project activities will thus be allocated to the NOU in cooperation with the Lead IA. The NOU as a management body has responsibility towards NEPA and to the Ministry of Sustainable Development and Tourism as a decision-making body.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:

- (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 HPMP;
- (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
- (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee;
- (f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HCFC consumption targets had been met;

- (g) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (h) Carrying out required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country the allocation of the reductions to the different budget items and to the funding of the Lead IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (l) Providing assistance with policy, management and technical support when required; and
- (m) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.