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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fiftieth Meeting
New Delhi, 6-10 November 2006

PROJECT PROPOSAL: SERBIA

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

Phase-out

- National CFC phase-out plan (third tranche) Sweden and UNIDO

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
SERBIA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National CFC phase-out plan (third tranche)	Sweden and UNIDO
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NATIONAL CO-ORDINATING AGENCY:

Ministry of Science and Environment, Republic of Serbia

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

Annex A Group I, CFCs	52.139		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)

ODS	Aerosol	Foam	Ref.	ODS	Solvents	Process agent	Fumigant
CFC-11	28	6.5	4.8				
CFC-12	5.6		53.22				
CFC-113					0.11		
CFC-114			0.72				
CFC-115			2.62				

CFC consumption remaining eligible for funding (ODP tonnes)

0

CURRENT YEAR BUSINESS PLAN: Total funding US \$1,049,000: total phase-out 132.8 ODP tonnes.

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
CFC (ODP tonnes)	Montreal Protocol limits	849.2	424.6	424.6	127.38	127.38			
	Annual consumption limit	410	392	268	125	85			
	Annual phase-out from ongoing projects	0	0	0	0	0			0
	Annual phase-out newly addressed	2	18	124	143	40			327
	Annual unfunded phase-out	0	0	0	0	0			0
TOTAL ODS CONSUMPTION TO BE PHASED OUT		2	18	124	143	40			327
Total ODS consumption to be phased-in (HCFCs)		0	0	0	0	0			
Project cost as originally submitted (US \$)									
Final project costs (US \$):									
Funding for UNIDO		474,700	759,000	975,500	123,500	70,000			2,402,700
Funding for Sweden		148,000	134,000	57,844	0	0			339,844
Total project funding		622,700	893,000	1,033,344	123,500	70,000			2,742,544
Final support costs (US \$)									
Support cost for UNIDO		35,603	56,925	73,163	9,263	5,250			180,204
Support cost for Sweden		19,240	17,420	7,520	0	0			44,180
Total support costs		54,843	74,345	80,682	9,263	5,250			224,383
TOTAL COST TO MULTILATERAL FUND (US \$)		677,543	967,345	1,114,026	132,763	75,250			2,966,927
Final project cost effectiveness (US \$/kg)									

FUNDING REQUEST: Approval of funding for the third tranche (2006) as indicated above.**SECRETARIAT'S RECOMMENDATION**

Pending

PROJECT DESCRIPTION

1. On behalf of the Government of Serbia, UNIDO has submitted to the 50th Meeting of the Executive Committee the funding request for a third tranche of the "National CFC phase-out plan for Serbia and Montenegro, 3rd tranche" (NPP) at a total cost of US \$1,033,344 plus agency support cost of US \$80,682.

Background

2. The NPP for Serbia and Montenegro was approved at the 43rd Meeting, with UNIDO as lead agency and Sweden as co-operating bilateral agency. The NPP was meant to lead to the final phase-out of CFCs in Serbia and Montenegro by the end of the year 2009 and includes assistance for the Government of Serbia and Montenegro to meet its 2007 compliance targets for CFC consumption. In 2006, Serbia and Montenegro split into two countries, the Republic of Serbia and the Republic of Montenegro.

3. The total funds approved in principle for the NPP amounted to US \$2,742,544 plus support costs. In order to achieve the targets specified in the Agreement, a series of investment, non-investment, technical assistance and capacity building activities have been implemented by the former Republic of Serbia and Montenegro and will be, and are being, implemented by the Republic of Serbia with the assistance of UNIDO and Sweden. The 2004 annual implementation programme (AIP) of this NPP was approved, and related funds were released at the 43rd Meeting of the Executive Committee, followed by the 2005 AIP and related funds being approved at the 47th Meeting.

4. In 2005, the consumption in most manufacturing sectors had increased. The biggest sector, the aerosol sector, saw an increase of 64% in consumption. The foam and solvent sectors also witnessed increases, albeit small ones. Only the refrigeration (manufacturing) sector decreased its consumption by 47%. According to the information provided, the servicing sector was apparently able to reduce its consumption by 78% in one year; this sector's consumption is calculated as the difference between the total consumption and the sum of the consumption of the other sectors.

5. During 2005 preparations for a factory conversion have been carried out in the aerosol sector, but no tender for equipment has started yet. In the foam sector the only beneficiary is undergoing privatisation, therefore the NOU decided to halt implementation until the privatisation had been completed. Some equipment has been delivered in the refrigeration (manufacturing) sector. Only preparatory activities were carried out in the servicing sector. No customs workshop took place in 2005, while the first of the planned workshops was carried out in 2006. A tax of 1.2 Euro/kg CFC was introduced on all CFC imports. The NOU prepared certain insertions in the new air protection act, which will allow the Government to introduce licensing and mandatory best practice procedures in the refrigeration servicing sector. Of the US \$1,515,700 approved so far, US \$298,575, i.e. less than 20%, has been spent.

Verification

6. The verification report includes a detailed review of the relevant legislation and the process followed for the granting of licenses as well as the customs procedures during import and export. The verification report identified a large export from stocks apparently accumulated

over the previous years by one company in Serbia. The stockpiling by this company in previous years and the export of stocks in 2005 (almost 49 ODP tonnes) is likely to account for part of the dynamics in Serbia's CFC consumption. The verification report showed some minor discrepancies and verified a consumption of 52.642 ODP tonnes for the year 2005, of which 1,119 ODP tonnes (2.1%) were imported into Montenegro and the remainder into Serbia. There was no information about CFC movements between the two parts of Serbia and Montenegro in 2005. The Article 7 data reported by Serbia for 2005 was 52.139 ODP tonnes, and therefore 1% lower than the CFC consumption figure established through the verification.

7. On 30 June 2006, the Republic of Serbia wrote to the UN Secretary General, advising that "all treaty actions undertaken by Serbia and Montenegro will continue in force with respect to the Republic of Serbia with effect from 3 June 2006" and that the Republic of Serbia "continues to exercise its rights and commitments deriving from international treaties concluded by Serbia and Montenegro". The UN Secretary General, acting on Serbia's communication, has accepted this undertaking and consequently eliminated Montenegro from the list of Parties to the ozone treaties, leaving the name of Serbia only. The status of Montenegro is presently that of a non-party to the ozone treaties.

8. The annual implementation programme for 2006 for Serbia foresees a reduction of consumption in the aerosol sector to zero tonnes in 2006, although production is still ongoing. Other than that, no reductions in the manufacturing sectors are planned. The plan foresees an upgrading of vocational training institutions but no other activities related to the service sector, which is absorbing 93% of the funding in the annual plan.

9. The second tranche of the National CFC phase-out plan was approved by the 47th Meeting on the understanding that approval for a third tranche is conditional on the establishment of the Project Management Unit (PMU). According to the report submitted, terms of reference for a consultant to assist the country on the establishment have been reviewed, and the Directorate is in the process of assigning relevant staff.

10. At the 49th Meeting of the Executive Committee, the Committee was informed that Sweden would cease its implementation activities as a bilateral agency except for those already approved. For the year 2006, the agreed funding schedule for the NPP foresees that Sweden would receive funding of US \$57,844 plus support cost for the implementation of activities.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

11. The Secretariat raised a number of technical issues with UNIDO. These refer in particular to a more detailed account on planned activities in the servicing sector, and some clarifications in the activities in 2005. The related discussions are still ongoing.

12. The Secretariat pointed out that the National CFC phase-out plan (third tranche) for Serbia and Montenegro has been formulated for a geographical area and population which is no longer fully covered by the plan. The Secretariat also pointed out that the baseline for Serbia and Montenegro was one important part of the information leading to the formulation and approval of the NPP, and that the change in area and the reduction of the population by about 7% is likely

to lead to a change in the baseline figure. The Secretariat suggested that it might be prudent to amend the Agreement in order to capture the change in circumstances. UNIDO advised that the Government of Serbia has not requested a revision of the baseline originally established for Serbia and Montenegro, and has also not requested an amendment to the Agreement.

13. As part of the ongoing discussions, UNIDO provided lists of past and present activities, separated between Serbia and Montenegro. It also informed the Secretariat that the Government of Serbia expressed its readiness to assist Montenegro in its CFC phase-out activity based on certain budget considerations. The Secretariat is presently clarifying several related issues with UNIDO.

14. The Secretariat raised the question whether the PMU for Serbia could be considered as being established, as requested by the Executive Committee in the approval of the previous tranche at the 47th Meeting. At the time of the 47th Meeting, UNIDO, Sweden and the Secretariat had agreed that it was essential for the national function for project management and monitoring of the plan to be established within the implementation of the second tranche of the annual implementation programme.

15. UNIDO provided a number of explanations regarding the progress achieved, and regarding the staffing of the personnel in the PMU. The Secretariat is presently still discussing the exact status of the PMU within the Government and the separation between the ozone office, funded through the institutional strengthening and the PMU.

16. The Secretariat informed UNIDO that due to the fact that Sweden will not be in the position to receive funding for activities in Serbia, the Agreement has to be amended to allow for disbursement to another agency. The Secretariat also pointed out that this might be an appropriate opportunity to reflect the other recent changes in Serbia in the Agreement. Any potential changes to the content of the Agreement are under discussion with UNIDO.

17. The Secretariat will inform the Executive Committee regarding the outcome of the discussions.

RECOMMENDATION

18. Pending.