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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixtieth Meeting
Montreal, 12-15 April 2010

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 (fourth and fifth tranches)

UNIDO and
Sweden

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Serbia

(I) PROJECT TITLE	AGENCY
CFC phase out plan	Sweden, UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)					Year: 2008
CFC: 76.7	CTC: 2.1	Halons: 1.8	MB: 0	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)											Year: 2008		
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC	74.5			0.3	1.9				0.7				77.4
CTC									2.1				2.1
Halons			1.8										1.8
Methyl Bromide													0
Others													0
TCA													0

(IV) PROJECT DATA			2004	2005	2006	2007	2008	2010	Total
Montreal Protocol Consumption Limits		CFC	849.2	424.6	424.6	127.4	127.4		
Maximum Allowable Consumption (ODP Tonnes)		CFC	410.	392.	268.	125.	85.		
Project Costs (US\$)	Sweden	Project Costs	60,000.						60,000.
		Support Costs	7,800.						7,800.
	UNIDO	Project Costs	562,700.	893,000.	1,033,344.	123,500.	70,000.		2,682,544.
		Support Costs	42,203.	66,975.	77,501.	9,263.	5,250.		201,192.
Total Funds Approved in Principle (US\$)		Project Costs	622,700.	893,000.	1,033,344.	123,500.	70,000.		2,742,544.
		Support Costs	50,003.	66,975.	77,501.	9,263.	5,250.		208,992.
Total Funds Released by the ExCom (US\$)		Project Costs	622,700.	893,000.	1,033,344.	0.	0.		2,549,044.
		Support Costs	50,003.	66,975.	77,501.	0.	0.		194,479.
Total Funds Requested for Current Year (US\$)		Project Costs						193,500.	193,500.
		Support Costs						14,513.	14,513.

(V) SECRETARIAT'S RECOMMENDATION:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Serbia, UNIDO, as the lead implementing agency, has submitted to the 60th Meeting of the Executive Committee a request for funding for the fourth and fifth tranches of the national CFC phase-out plan (NPP) at a total cost of US \$193,500 plus agency support costs of US \$14,513 for UNIDO; these tranches were originally foreseen for the years 2007 and 2008. The submission also includes the annual progress report on the implementation of the NPP for the years 2006 to 2009, an annual implementation programme for the year 2010, multi-year agreement tables for the respective years and verification reports for the years 2006 and 2007.

Background

2. The NPP for Serbia and Montenegro was approved by the Executive Committee at its 43rd Meeting, with UNIDO as the lead agency and Sweden as the co-operating bilateral agency, to completely phase-out CFC consumption in the country by January 2010. Total funding of US \$2,742,544 plus agency support costs was approved in principle by the Executive Committee. At the same meeting, the Executive Committee approved US \$474,700 plus agency support costs for UNIDO and US \$148,000 plus agency support costs for Sweden for the implementation of the first tranche of the NPP.

3. In 2006, Serbia and Montenegro split into two countries, the Republic of Serbia and the Republic of Montenegro. The Republic of Serbia advised the UN Secretary General that it "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, had accepted this undertaking. At the 49th Meeting, the Executive Committee had been informed that Sweden would cease its implementation activities as a bilateral agency. Both the change in area covered by the NPP because of the separation of the Republic of Montenegro as well as the change of funding associated with the change of the role of the Government of Sweden as bilateral agency in the plan made it necessary to replace the agreement between Serbia and the Executive Committee. A new agreement was approved by the Executive Committee at its 50th Meeting and the differential between the funding originally approved for Sweden and its new, reduced participation in the NPP was transferred to UNIDO.

4. UNIDO, on behalf of the Government of Serbia, submitted a request for the fourth tranche to the 53rd Meeting of the Executive Committee, but the Secretariat asked for the submission to be withdrawn as no progress had been achieved in the implementation of the NPP since the approval of the third tranche in 2006. For the same reasons the submission to the 56th Meeting was also withdrawn. The Government of Sweden submitted to the 60th Meeting a request for a further reduction in its bilateral contribution to this project of US \$19,322 plus agency support costs, and requested a transfer of the remaining funds of US \$40,678 plus adjusted agency support costs to UNIDO's budget. (See also document UNEP/OzL.Pro/ExCom/60/5).

Verification

5. UNIDO has submitted two verification reports for the years 2006 and 2007. The reports include a detailed review of the license granting process as well as the customs procedures during import, export and transit. Both reports contain lists of importers/exporters and provide comparison of data obtained from different sources. Serbia does not produce ODS and its consumption is equal to import minus export. In 2006 the import of CFCs was verified to be 239 ODP tonnes and the export to be 5.2 ODP tonnes, resulting in a consumption of 233.8 ODP tonnes, which is about 13 per cent lower than the maximum allowable consumption of 268 ODP tonnes as per the agreement between the Government of Serbia and the Executive Committee. It was noted in the verification report that, in 2006, CFCs amounting to 18.2 ODP tonnes were transiting through Serbia. In 2007, no export or transit of CFCs was

recorded. The import of CFCs dropped by 78 per cent to 53.5 ODP tonnes, representing less than 43 per cent of the maximum allowable consumption of 125 ODP tonnes. Minor discrepancies were found between data provided by the Ministry of Environment and Spatial Planning (former Ministry of Environmental Protection) and data obtained from the Statistical Service and Customs Administration; the verified consumption was consistently based on the higher numbers, and a plausible explanation for the discrepancies was provided. The data is consistent with the Article 7 data for Serbia. The 2008 consumption was not verified, with a consumption of 76.7 ODP tonnes reported under Article 7 and a maximum allowable consumption for 2008 of 85 ODP tonnes.

2007, 2008 and 2009 progress report

6. The National Ozone Unit (NOU) was re-established in December 2008 after one year without any designated focal point in the Ministry of Environmental and Spatial Planning. In addition, a project management unit was established in September 2009. As pointed out above, implementation in the years 2007 and 2008 had been very slow, leading to significant delays in the implementation of activities. These related to passing of legislation and capacity building including customs training and delivery of identifiers in 2006, and the establishment of a new law on air protection in May 2009 containing provisions on ODS.

7. A number of activities have been carried out in manufacturing sectors. In the aerosol sector one enterprise was expected to be converted to non-CFC technology. By September 2009 the use of CFCs in the production of the medical aerosols had been completely eliminated at one manufacturer. The conversion of two companies in the foam sector was completed in January 2010. UNIDO also advised that a conversion project in the refrigeration manufacturing sector, being funded separately from the NPP, was completed in April 2007. The activities in the service sector have started and four sets of training equipment were delivered in late 2008. The unspent balance of the approved funding as of 1 January 2010 is US \$1,138,023 equivalent to 44.6 per cent of the funding approved so far.

2010 Implementation programme

8. The activities planned for 2010 include establishment of the national training centres and training of 2,700 service technicians in updated servicing practices and refrigerant recovery. Further improvement of the licensing system is foreseen. Monitoring of the NPP will also continue in 2010.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

9. The Secretariat noted mainly two issues with the submission of this tranche request, which includes the final tranche for this NPP. There has been a significant delay in project implementation. UNIDO and, in one case, the Fund Secretariat had held in recent years meetings with representatives of the Government of Serbia, up to the level of vice minister, to facilitate the establishment of the necessary administrative infrastructure in Serbia, namely a NOU and a Programme Monitoring Unit (PMU). The NOU and PMU were established in 2008 and 2009 respectively. From the annual implementation plan provided, it is obvious that since then the activities in the country are accelerating very significantly, and Serbia is well on its way to catch up with the implementation of its phase-out plan.

10. Verification reports were submitted for the years 2006 and 2007, but not for 2008. The Agreement between Serbia and the Executive Committee did not include targets beyond 2008, and foresaw the funding for the last tranche in the first meeting in 2008, based on the consumption verification for 2006. The year 2007 represented a major reduction in allowable consumption both under the Montreal Protocol as well as under this agreement, and the verification has clearly demonstrated that

Serbia has met its obligations for 2007. The verification was prepared for the tranches withdrawn at the 53rd Meeting (verification for 2006) and 56th Meeting (verification for 2007). The Secretariat came to the conclusion that, providing the 2007 verification established a compromise between providing only verification for 2006 data, which could have been argued based on the agreement, and requesting 2008 data, which could have been argued based on common practice. The minor discrepancies identified in the verification are clearly demonstrating that different data were used and compared, and their level is very insignificant. The Secretariat is content with the verification reports, the years covered and the conclusions of the reports.

11. As mentioned above, since re-establishment of the NOU and establishment of a PMU, the implementation has progressed well and very fast. The country can now concentrate on the work in the service sector, supporting this sector in utilising CFC-free new technologies. The implementation plan was sufficiently detailed and concise to recommend it for approval, and covers all funds remaining in the project. The Secretariat can recommend blanket approval of the fourth and fifth tranches of the NPP in Serbia. The fifth tranche represents the final tranche under this plan.

RECOMMENDATION

12. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the third tranche of the national CFC phase-out plan (NPP) in Serbia for the years 2006 to 2009 and the verification report for the years 2006 and 2007;
- (b) Approves the 2010 annual implementation programme associated with the fourth and fifth (last) tranches; and
- (c) Requests the Government of Serbia, with the assistance from UNIDO, to submit a progress report on the implementation of the approved work programme above no later than the 63rd Meeting of the Executive Committee.

13. The Secretariat further recommends blanket approval of the 2010 plan associated with the fourth and fifth (last) tranche of the NPP for Serbia with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National CFC phase-out plan (fourth tranche)	123,500	9,263	UNIDO
(b)	National CFC phase-out plan (fifth tranche)	70,000	5,250	UNIDO
