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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-sixth Meeting
Montreal, 2-6 November 2020
Postponed to 8-12 March 2021¹

PROJECT PROPOSAL: NORTH MACEDONIA

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

Phase-out

- HCFC phase-out management plan (stage I, tenth tranche)

UNIDO

¹ 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

North Macedonia

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNIDO	60 th	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2019	0.64 (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					0.64				0.64

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:		1.8	Starting point for sustained aggregate reductions:
			3.35
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:		2.18	Remaining:
			1.17

(V) BUSINESS PLAN		2020	2021	Total
UNIDO	ODS phase-out (ODP tonnes)	0.14	0.14	0.28
	Funding (US \$)	80,625	80,625	161,250

(VI) PROJECT DATA			2010	2011	2012	2013	2014	2015	2016*	2017*	2018*	2019	2020***	Total
Montreal Protocol consumption limits			n/a	n/a	n/a	1.80	1.80	1.62	1.62	1.62	1.62	1.62	1.17	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	n/a	1.80	1.80	1.62	1.53	1.44	1.35	1.26	1.17	n/a
Agreed funding (US \$)	UNIDO	Project costs	15,000	107,000	294,955	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,166,955
		Support costs	1,125	8,025	22,122	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,522
Funds approved by ExCom (US \$)		Project costs	15,000	107,000	294,955	148,000	82,000	82,000	0	82,000	101,000**	75,000	0	986,955
		Support costs	1,125	8,025	22,122	11,100	6,150	6,150	0	6,150	7,575**	5,625	0	74,022
Total funds requested for approval at this meeting (US \$)		Project costs											75,000	75,000
		Support costs											5,625	5,625

*The agreed funding in principle for the seventh tranche in 2016, the eighth tranche in 2017, and the ninth tranche in 2018, was approved by the Executive Committee in 2017, 2018, and 2019, respectively.

**Figures were updated to reflect the return of US \$30,000, plus agency support costs of US \$2,250 due to Sileks withdrawing from the project (decision 83/26)

***Funding for the eleventh and final tranche will be requested in 2021.

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of North Macedonia, UNIDO as the designated implementing agency, has submitted a request for funding for the tenth tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$75,000, plus agency support costs of US \$5,625.² The submission includes a progress report on the implementation of the ninth tranche, the verification report on HCFC consumption for 2019 and the tranche implementation plan for 2021. Institutional strengthening (IS) for the years 2010 to 2020 is a component of stage I of the HPMP.

Report on HCFC consumption

2. The Government of North Macedonia reported a consumption of 0.64 ODP tonnes of HCFC in 2019, which is 64 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

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

HCFC	2015	2016	2017	2018	2019	Baseline
Metric tonnes (mt)						
HCFC-22	3.36	4.92	0.00	4.76	11.56	32.78
HCFC-141b in imported pre-blended polyols*	0.00	0.00	0.00	0.00	0.00	14.10**
ODP tonnes						
HCFC-22	0.18	0.27	0.00	0.26	0.64	1.80
HCFC-141b in imported pre-blended polyols*	0.00	0.00	0.00	0.00	0.00	1.55**

*Country programme data.

**Average consumption between 2007 and 2009.

3. North Macedonia maintained its HCFC consumption below the maximum allowable consumption under the Montreal Protocol and its Agreement with the Executive Committee as a result of activities in the servicing sector implemented under the HPMP, and the 5 per cent annual reduction on the import quota of HCFCs coupled with the environmental tax (€1/kg) on the import of HCFCs. The introduction of refrigeration and air-conditioning (RAC) equipment based on HFCs/HFC blends and natural refrigerants also contributed to the decreased demand for HCFCs in the country. The increase in HCFC consumption in 2019 was due to the use of an import permit issued in 2018 but used in 2019.

Country programme (CP) implementation report

4. The Government of North Macedonia reported HCFC sector consumption data under the 2019 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol. It was noted that the actual use in the country for the servicing sector in 2019 was 0.09 ODP tonnes (1.7 mt) and the remaining amount (9.86 mt) was for stockpile. At the end of 2019, one importer had a stockpile of 12.09 mt (0.66 ODP tonnes) of HCFC-22.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2019 was 0.64 ODP tonnes, as shown in Table 1. The report also noted that the recovery and recycling (R&R) scheme recovered/recycled a total of 35.89 mt of refrigerants in 2019.

² As per the letter of 9 July 2020 from the Ministry of Environment and Physical Planning of North Macedonia to UNIDO.

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

Legal framework

6. North Macedonia has a ban on the import and export of HCFC-based equipment (as of 1 January 2012) and a ban on refillable cylinders (as of 1 January 2015). The Government is planning a 6 per cent annual reductions on HCFC import quotas between 2021-2029, and a complete ban from 2030. In 2019, the amendment to the Law on Environment, to include specific provisions on types and categories of licenses for management of refrigerants and/or products containing refrigerants, procedures applied for the R&R, equipment installation and servicing, was implemented. Amendments to the law related to the HCFC phase-out were drafted but approval has been delayed due to the COVID-19 pandemic and a change in Government following elections.

7. Legislation pending includes those related to strengthening the RAC certification system and practical testing of technicians; the introduction of an on-site practical part of the certification testing in line with European Union (EU) requirements; the ban on import and export of used RAC equipment; the draft order for the annual stepwise reduction in HCFC import from 2021 to 2029 and the complete ban from 2030; the extension of the R&R scheme to non-ODS refrigerants; and the draft-rulebook on preventive measures to minimise F-gases leakage. The Government of North Macedonia ratified the Kigali Amendment on 12 March 2020.

8. Three workshops held in 2020 trained an additional 67 customs officers in good practices for the identification of refrigerants and control on imports of substances controlled under the Montreal Protocol, including training on the use of the five refrigerant identifiers provided under the HPMP. The national ozone unit (NOU) developed and published the manual for good practices in refrigerants control at the border points.

Refrigeration servicing sector

9. The third in a series of training workshops focussing on RAC equipment control, leak checking, and recording and labelling took place in October 2019 for 11 participants (RAC equipment owners, environmental inspectors, and one RAC servicing technician). A brochure, “Useful tips for the RAC equipment recording and checking”, was produced for the event. The fourth and final workshop was held in December 2019 and attended by 21 state environmental inspectors. International experts and representatives from the Croatian State Inspectorate also attended to share their experiences in the field of inspecting substances controlled under the Montreal Protocol, as well as their experience with RAC equipment.

10. Despite the limitations imposed by the COVID-19 pandemic, the NOU continued to inform companies, on an on-going basis, of their obligation to record and label RAC equipment. The last visit included five enterprises where nine pieces of RAC equipment were recorded and labelled, and another 39 pieces were recorded but await labelling. The NOU’s internal database, which has records on 1,129 pieces of equipment containing 3 or more kg of refrigerant, indicates that about 25 per cent of the equipment is based on HCFC-22, 75 per cent on HFCs, and a small number (0.44 per cent) are based on natural refrigerants.

11. Monitoring of the R&R programme continued with a national expert visiting servicing workshops. Based on annual reports prepared by the Ministry of Environment and Physical Planning, of the total 35.89 mt of refrigerants that were recovered, recycled and re-used in 2019, HCFC-22 accounted for 14.23 per cent, HFCs/HFC blends accounted for 85.59 per cent, including HFC-134a and R-410, which accounted for 29.6 per cent and 26.2 per cent of the total, respectively. A small portion was attributed to CFC-12 (0.18 per cent), and HFC-32 (0.08 per cent) that was recovered from air-conditioning equipment in the country.

Activities implemented by the IS

12. The NOU was involved in issuing permits for import/export of ODS, ODS alternative refrigerants and equipment containing refrigerants; it coordinated the work to draft amendments to the Environmental Law and harmonize national regulations with those of the EU. The NOU also implemented a public awareness programme on the Montreal Protocol; conducted workshops for service technicians, environmental inspectors, and equipment owners; and developed training and other information materials, including a manual for good practices in refrigerants control at the border points, brochures, and posters. It also reported CP and Article 7 data to the Multilateral Fund and the Ozone Secretariats, respectively.

13. Out of US \$444,791 budgeted so far for IS,³ US \$420,502 has been disbursed for staff and consultants (US \$252,052), equipment (US \$125,420), operational costs (US \$823), training/study (US \$10,971), contractual services (US \$3,614), travel (US \$14,505), and other expenses (US \$13,117).

Level of fund disbursement

14. As of 15 August 2020, of the US \$986,955 approved so far, US \$906,427 had been disbursed as shown in Table 2. The balance of US \$80,528 will be disbursed in 2020-2021.

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

Agency	First-eighth tranche		Ninth tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	911,955*	891,037	75,000	15,390	986,955	906,427
Disbursement rate (%)	97.7		20.5		91.8	

* Figures were updated to reflect the return of US \$30,000, plus agency support costs of US \$2,250 due to Sileks withdrawing from the project (decision 83/26)

Implementation plan for the tenth tranche of the HPMP

15. The following activities will be implemented in 2021:

- (a) Adopting draft legislation to enable the application of Montreal Protocol provisions with EU F-gas regulations, and to support complete phase-out of ODS; finalization of the legal acts to establish the RAC certification/licensing system, and to ban the import and use of HCFC-141b pure and contained in pre-blended polyols (US \$12,000);
- (b) Improvement of equipment control by upgrading the NOU database software for recording labelled RAC systems that contain over 3 kg refrigerant charge; on-going communication and cooperation with environmental inspectors regarding their role in monitoring owners' obligations to register RAC equipment and service technicians' leak checking and servicing (US \$10,000);
- (c) A workshop for stakeholders on the legislation to manage the complete phase-out of HCFCs by 2030 and development of training materials on the legislation (US \$13,000);
- (d) Development/distribution of brochures and leaflets to raise awareness of the public and professionals on the legislation to completely phase out HCFCs (US \$10,000);
- (e) Monitoring of the R&R scheme (US \$10,000); and

³ Annual stand-alone funding for IS for North Macedonia was US \$66,268 per year as at 2010. US \$600,000 was approved in principle for the period April 2011 to December 2020 as part of stage I of the HPMP.

- (f) Activities related to IS: CP and Article 7 data reporting, monitoring of HPMP implementation, general awareness raising activities including celebration of the International Ozone Day, (US \$20,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption

16. HCFC consumption for 2019 was 49 per cent lower than the maximum allowable consumption for that year, but had increased by 0.38 ODP tonnes from 2018 due to the use of an import permit for the sole HCFC importer, which was issued during the second semester of 2018 but used in 2019. In response to the Secretariat's suggestion that North Macedonia consider updating its licensing and quota system to ensure that the license and quota issued in a given year is valid up until 31 December of that year, UNIDO clarified that the quota system is valid for the calendar year; however, import permits were valid for six months from the time they were issued. Any amendment to limit the duration of the import permit would require discussions with several institutions as the six-month duration was stipulated in the regulations regarding the import of a range of goods. UNIDO and the NOU would discuss the matter and consider possible solutions as part of the activities under the tenth tranche.

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

Legal framework

17. The Government of North Macedonia has issued the HCFC import quota for 2020 at 1.08 ODP tonnes, which is lower than the Montreal Protocol control targets and the allowable consumption under its Agreement with the Executive Committee.

Refrigeration servicing sector

18. The Secretariat noted the efforts by the Government and UNIDO to ensure the continued implementation of activities supported by the Multilateral Fund during the COVID-19 pandemic. UNIDO explained that due to COVID-19 restrictions imposed by the Government, activities undertaken in 2020 were mainly limited to desk work, for example drafting legislation, and publishing manuals and other training materials to strengthen the capacity of customs and the environment inspectors, resulting in a disbursement of 20.5 per cent of the funding tranche, as training workshops were not held. The NOU plans to implement the remaining activities under the ninth tranche by December 2021, and is also considering setting up online discussions and developing self-paced online training materials.

19. In addition to challenges posed by the COVID-19 pandemic, on 9 September 2020, there was a fire in the building where the NOU is located. All staff are safe and documents related to the ninth tranche activities survived the fire. In line with the suggestion made by the Secretariat at the 81st meeting in a similar instance,⁴ UNIDO will assist the NOU to develop a disaster management plan to help ensure the continued operation of the NOU in the case of future unexpected events, including an electronic documentation that would more easily allow virtual access to necessary documents.

⁴ Paragraph 10 of UNEP/OzL.Pro/ExCom/81/17.

Gender policy implementation⁵

20. Of the 67 customs officers trained in 2020, 30 per cent were women; the workshop on RAC equipment control in December 2019 included five women state environmental inspectors out of a total of 21 inspectors; 16 per cent of all certified service technicians in North Macedonia are women; and the country has non-discrimination gender policies in place. As part of the tenth tranche, the Government will implement awareness-raising activities targeting women in technical schools.

Sustainability of the HCFC phase-out

21. North Macedonia has a licensing and quota system in place that ensures the sustained control of HCFC imports. Regulations are in place that prohibit the consumption of substances phased out under the Montreal Protocol, and the training of customs officers includes phased-out ODS to prevent illegal trade; five refrigerant identifiers are being used by customs to ensure the sustainability of control procedures at customs points. Environmental inspectors, responsible for the enforcement of the Law on Environment, are trained on ODS management. There have been no reported imports of CFC-12, and other than the small amounts of CFC-12 recovered as explained above, there are no stocks of controlled substances that have been phased out. One importer has stockpiles of HCFC-22 (12.09 mt) from imports in 2018 and 2019; the NOU can monitor stockpiled controlled substances as importers are required under the Law on Environment to annually report any stockpiles of those substances. HCFC-141b pure or contained in pre-blended polyols has not been imported since 2012 and an import ban on the substance, expected to enter into force in 2021, will support the long-term sustainability of the phase-out in the foam manufacturing sector. The country has banned the import of HCFC-based equipment (as of 1 January 2012), and refillable cylinders (as of 1 January 2015).

Revision of the Agreement

22. In line with paragraph 14 of the Agreement, the date of completion of stage I of the HPMP would be 31 December 2021. However, given the one-year delay in the submission of the seventh tranche, the eleventh and final tranche of the HPMP is still to be submitted. Accordingly, the Government of North Macedonia requested to revise its Agreement with the Executive Committee to allow the submission of the eleventh and final tranche in 2021, thereby extending the date of completion of the Agreement to 31 December 2022. In addition, the Secretariat updated the name of the country,⁶ and paragraph 16 of the Agreement to reflect that the Agreement superseded that agreed at the 67th meeting, as shown in Annex I to the present document. The revised updated Agreement will be appended to the final report of the 86th meeting.

Conclusion

23. North Macedonia continues to be in compliance with the Montreal Protocol and the HCFC consumption targets specified in its Agreement with the Executive Committee; in 2019, consumption of HCFCs was 61 per cent below the country's Montreal Protocol target and 49 per cent lower than the maximum allowable consumption specified in the Agreement. The verification confirms the licensing and quota system is functioning. The R&R scheme is also functioning and has resulted in 35.89 mt of refrigerants recovered, recycled and re-used. The level of disbursement of the ninth tranche is 20.5 per cent and the overall disbursement rate has reached almost 92 per cent. The Agreement for stage I of the HPMP is being extended by one year to accommodate the request for the eleventh and final funding tranche in

⁵ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

⁶ As of 12 February 2019, the name changed from the former Yugoslav Republic of Macedonia to the Republic of North Macedonia.

2021. The activities so far implemented and those planned under the tenth tranche will continue to help the country meet its compliance obligations under the Protocol.

RECOMMENDATION

24. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the ninth tranche of stage I of the HCFC phase out management plan (HPMP) for North Macedonia;
- (b) Extends the date of completion of stage I of the HPMP for North Macedonia to 31 December 2022; and
- (c) Notes that the Fund Secretariat had updated the Agreement between the Government of North Macedonia and the Executive Committee as contained in Annex I to the present document, specifically: paragraph 1 to indicate the change of official name of the country to North Macedonia; Appendix 2-A to reflect the submission of the eleventh and final tranche in 2021; and paragraph 16 to indicate that the updated Agreement superseded that reached at the 67th meeting.

25. The Fund Secretariat further recommends blanket approval of the tenth tranche of stage I of the HPMP for North Macedonia, and the corresponding 2020-2021 tranche implementation plan, at the funding level shown in the table below:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, tenth tranche)	75,000	5,625	UNIDO

Annex I

TEXT TO BE INCLUDED IN THE REVISED UPDATED AGREEMENT BETWEEN NORTH MACEDONIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of **North Macedonia** 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 reduction to 1.17 ODP tonnes, prior to 1 January 2020 in compliance with Montreal Protocol schedules.
16. This **revised** updated Agreement supersedes the Agreement reached between the Government of **North Macedonia** and the Executive Committee at the 67th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	1.80	1.80	1.62	1.62	1.62	1.62	1.62	1.17	1.17	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	1.80	1.80	1.62	1.53	1.44	1.35	1.26	1.17	1.17	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	15,000	107,000	294,955	148,000	82,000	82,000	0	82,000	101,000*	75,000	75,000	75,000	1,136,955
2.2	Support costs for Lead IA (US \$)	1,125	8,025	22,122	11,100	6,150	6,150	0	6,150	7,575	5,625	5,625	5,625	85,272
3.1	Total agreed funding (US \$)	15,000	107,000	294,955	148,000	82,000	82,000	0	82,000	101,000	75,000	75,000	75,000	1,136,955
3.2	Total support cost	1,125	8,025	22,122	11,100	6,150	6,150	0	6,150	7,575	5,625	5,625	5,625	85,272
3.3	Total agreed costs (US \$)	16,125	115,025	317,077	159,100	88,150	88,150	0	88,150	108,575	80,625	80,625	80,625	1,222,227
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)													0.63
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)													0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)													1.17
4.2.1	Total phase-out of HCFC-141b contained in imported pre-blended polyol agreed to be achieved under this agreement (ODP tonnes)													1.55
4.2.2	Phase-out of HCFC-141b contained in imported pre-blended polyol to be achieved in previously approved projects (ODP tonnes)													0
4.2.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyol (ODP tonnes)													0

* Funding updated to reflect the return of US \$30,000, plus agency support costs of US \$2,250 due to Sileks withdrawing from the project (decision 83/26)