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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-first Meeting
Montreal, 2-6 December 2013

PROJECT PROPOSAL: MONTENEGRO

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

Phase-out

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

UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Montenegro

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	0.94 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2012	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.9				0.9

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.8	Starting point for sustained aggregate reductions:	0.8
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.28	Remaining:	0.52

(V) BUSINESS PLAN		2013	2014	2015	2016	2017	2018	2019	2020	Total
UNIDO	ODS phase-out (ODP tonnes)	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2
	Funding (US \$)	123,625	0	74,175	0	64,500	0	32,250	22,575	317,125

(VI) PROJECT DATA*			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	0.8	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.8	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
Revised funding (US \$)	UNIDO	Project costs	155,000		100,000		98,500				30,000	21,000	404,500
		Support costs	11,625		7,500		7,388				2,250	1,575	30,338
Funds approved by ExCom (US \$)		Project costs	155,000										155,000
		Support costs	11,625										
Total funds requested for approval at this meeting (US \$)		Project costs			100,000								100,000
		Support costs			7,500								

*The figures in this table correspond to the draft updated agreement submitted to the 71st meeting.

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Montenegro UNIDO, as the designated implementing agency, has submitted to the 71st meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at the amount of US \$69,500, plus agency support costs of US \$5,213. The submission includes the progress report on the implementation of the first two years of the HPMP and a tranche implementation plan for 2014 and 2015.

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

2. During the 30 months since approval of the HPMP, the forming of the refrigeration association has been initiated. A regulation on ozone-depleting substances (ODS) and alternatives was established and has come into force. Under this regulation, licenses are necessary for maintenance and/or repair of refrigeration equipment, and only licensed technicians can purchase refrigerants. The import and export controls regulate ODS, alternatives and equipment containing ODS. The tariff numbers have been harmonized with the European Union tariff system. Inspectors of the Environmental Protection Agency (EPA) of Montenegro have been trained in the enforcement of the new HCFC legislation, including the enforcement of the licensing system. A refrigerant identifier has been provided to the EPA.

3. National consultants have been recruited to create a code of practice compliant with international standards. A training manual for refrigeration servicing technicians was developed and distributed to the participants and to vocational schools. A week-long training course in good service practices in refrigeration was organized at vocational school for 23 trainers and servicing technicians which provided feedback for a further revision of the training manual.

4. One recovery centre has been established and equipped with ODS recovery equipment. Training for the use of refrigerant identifiers was provided to the recovery centre and to Government inspectors, and the related manuals have been translated into the local language.

5. The HPMP for Montenegro includes funding for institutional strengthening (IS) (for a total of US \$240,000 for the period 2012 to 2020). Under IS, the use of ODS in the country has been monitored through a national consultant. A number of activities were carried out on Ozone Day to increase awareness, and the changes in legislation and regulation have been facilitated through the governmental system.

6. A workshop for stakeholders was organized to introduce the HPMP activities including the presentation of ODS legislation and legislation covering ODS waste, as well as handling of refrigerant for decommissioned refrigeration equipment. The operation of the recovery and recycling (R&R) system which was established during the terminal phase-out management plan (TPMP) was monitored.

7. The total amount of US \$155,000 approved for the first tranche has been disbursed.

Annual implementation programmes for the second tranche

8. Activities for the second tranche include: provision of equipment to two training centres, enabling these centres to provide training on good practice and HCFC-22 alternatives including hydrocarbons, carbon dioxide and ammonia. Training material in the local languages will be developed. It also includes training of 50 technicians to upgrade their skills; the operation of the certification system for servicing technicians; and procurement of basic tooling equipment for technicians and for the R&R scheme. Under the IS component, 100 custom and enforcement officers will be trained and further

¹ The HPMP for Montenegro was approved by the Executive Committee at its 63rd meeting to reduce HCFC consumption by 35 per cent by 1 January 2020.

support to the industry associations and Government officials will be provided to achieve related capacity building. Monitoring of the implementation of the HPMP and internal verification of the achievement of the performance targets will be carried out.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Approach to the service sector

9. UNIDO informed that the implementation of the HPMP in Montenegro follows an integrated approach on refrigerant management. This sustainable concept includes restrictions to access of refrigerant to certified technicians as well as reporting liabilities, establishing accountability for refrigerant used. For this approach, a legal basis, a code of good practice to define service standards for refrigeration equipment, a training manual to train people on applying the code, the set-up for testing and certifying refrigeration technicians and enforcement of restricted access to refrigerant is necessary. The approach also needs a functioning and well-monitored system for recycling, reclamation and disposal of refrigerant to achieve accountability for emissions. As a consequence, appropriate accounting for unusable substance, the associated regulations and the related waste handling centres become part of refrigerant management. The HPMP has undertaken activities in all of these areas, and through it the necessary liaison between different stakeholders has been facilitated.

Licensing and quota system

10. The Government of Montenegro submitted a letter confirming that an enforceable national system of licensing and quotas for HCFC imports and exports is in place. The licensing system established in 2004 already included provisions for HCFCs, and a quota system had been introduced in 2011. Imports and/or exports of ODS are administered by the EPA through a permit system, with permits to be issued for each shipment. The quotas for Montenegro are 13.88 metric tonnes (mt) of HCFC-22 for 2013 and 13.19 mt of HCFC-22 for 2014. The Government has introduced additional measures, such as issuance of license per shipment and checking of import and export data with customs administration.

Consumption

11. Table 1 shows the HCFC consumption in Montenegro.

Table 1: HCFC consumption in Montenegro between 2009 and 2012 (Article 7 data)

Year	2009	2010	2011	2012	Baseline	Difference to baseline	Change
Metric tonnes							
HCFC-22	17.1	10.6	13.1	17.1	13.9	3.3	23.7%
ODP tonnes							
HCFC-22	0.94	0.58	0.72	0.94	0.76	0.18	23.7%

12. The 2012 consumption was 23.7 per cent higher than the baseline. However the quota for 2013 is similar to the baseline, and for 2014 it is 95 per cent of the baseline.

Level of implementation of activities and rate of disbursement

13. The planned activities have been fully implemented.

Baseline and draft agreement

14. At the 63rd meeting, the HPMP for Montenegro was approved on the basis of an estimated baseline of 17.57 mt which led to an allocation of US \$210,000 for phase-out activities until 2020 in line with decision 60/44. However, with the established baseline of 13.9 mt, the eligible funding level for Montenegro will be US \$164,500, or US \$45,500 lower than the level in the Agreement.

15. UNIDO provided an updated implementation plan and funding schedule to reflect a reduction in funding as foreseen by decision 60/44. UNIDO advised that due to the fast advancement of implementation in the first 30 months and the substantial reduction of the eligible cost by more than 20 per cent, only 25 per cent of the amount foreseen under decision 60/44 are available for future implementation until 2020. UNIDO and the Secretariat agreed on a revised funding schedule.

16. In approving the HPMP the Executive Committee requested the Secretariat, once the baseline data were known, to *inter-alia* update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Executive Committee of the resulting change in the levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted (decision 63/38). Based on the revised HCFC baseline, the relevant paragraph and appendices of the Agreement have been updated, and a new paragraph 16 has been added to indicate that the updated Agreement supersedes that reached at the 63rd meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 71st meeting.

Issues related to IS

17. The Secretariat requested additional information on how the National Ozone Unit (NOU) related to and integrated into the Government. UNIDO advised that the NOU has been established as a specialized body of the EPA which is under the supervision of the Ministry of Sustainable Development and Tourism. The head of the NOU is an EPA employee. The NOU cooperates for the training of servicing technicians with the state administrator authority responsible for education.

Conclusion

18. The progress of implementation of the HPMP in Montenegro is very significant, the planned activities have been fully implemented with some changes relating to support to the establishment of an originally unplanned centre for ODS waste disposal, reflecting a related shift in overall strategy of the country. The funds approved for the first tranche have been disbursed. All preconditions for approval of the second tranche appear to have been met. An update for the Agreement has been amended, reflecting the change in baseline and the resulting funding reduction.

RECOMMENDATION

19. The Executive Committee may wish to consider:

- (a) Taking note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Montenegro;

- (b) Noting that the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Montenegro and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 63rd meeting, as contained in Annex I to the present document;
- (c) Further noting that the revised starting point for sustained aggregate reduction in HCFC consumption was 0.8 ODP tonnes, calculated using actual consumption of 0.9 ODP tonnes and 0.6 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol; and
- (d) Approving the second tranche of stage I of the HPMP for Montenegro, and the corresponding 2014-2015 tranche implementation plan, at the amount of US \$100,000, plus agency support costs of US \$7,500 for UNIDO.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF MONTENEGRO 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 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 **0.52** ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Montenegro and the Executive Committee at the 63rd meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	0.8

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	0.8	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	0.8	0.8	0.72	0.72	0.72	0.72	0.72	0.52	n/a
2.1	Lead IA UNIDO agreed funding (US \$)	155,000		100,000		98,500				30,000	21,000	404,500
2.2	Support costs for Lead IA (US \$)	11,625		7,500		7,388				2,250	1,575	30,338
3.1	Total agreed funding (US \$)	155,000		100,000		98,500				30,000	21,000	404,500
3.2	Total support cost (US \$)	11,625		7,500		7,388				2,250	1,575	30,338
3.3	Total agreed costs (US \$)	166,625		107,500		105,888				32,250	22,575	434,838
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											0.28
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)											0.52