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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: SERBIA**

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 and UNEP

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

## Serbia

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase out plan (Stage I)	UNEP, UNIDO (lead)

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2012	10.95 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2012</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-141b					0.4				0.4
HCFC-142b					0.8				0.8
HCFC-22				2.5	7.6				10.1

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	8.4	Starting point for sustained aggregate reductions:	8.37
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	2.94	Remaining:	5.41

<b>(V) BUSINESS PLAN</b>		2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.1			0.05				0.03	0.2
	Funding (US \$)	31,075			16,329				8,531	55,935
UNIDO	ODS phase-out (ODP tonnes)	1.5		0.0	0.3	0.0	0.0	0.0	0.1	1.9
	Funding (US \$)	477,440	0	0	91,698	0	0	0	27,628	596,765

<b>(VI) PROJECT DATA*</b>			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	n/a	8.4	8.4	7.56	7.56	7.56	7.56	7.56	5.46	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	n/a	8.4	8.4	7.56	7.56	7.56	7.56	7.56	5.46	n/a
Revised funding (US \$)	UNEP	Project costs	26,000			27,500			14,450				7,550	75,500
		Support costs	3,380			3,575			1,879				981	9,815
	UNIDO	Project costs	360,130			444,130			67,800				25,700	897,760
		Support costs	27,010			33,310			5,085				1,928	67,333
Funds approved by ExCom (US \$)	Project costs		386,130			0								386,130
	Support costs		30,390			0								30,390
Total funds requested for approval at this meeting (US \$)	Project costs					471,630								471,630
	Support costs					36,885								36,885

\*The figures in this table correspond to the draft updated agreement submitted to the 71<sup>st</sup> meeting.

<b>Secretariat's recommendation:</b>	For blanket approval
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## PROJECT DESCRIPTION

1. On behalf of the Government of Serbia UNIDO, as the designated implementing agency, has submitted to the 71<sup>st</sup> meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)<sup>1</sup> at a total cost of US \$508,515, consisting of US \$444,130 plus agency support costs of US \$33,310 for UNIDO, and US \$27,500 plus agency support costs of US \$3,575 for UNEP. The submission includes the progress report on the implementation of the first tranche of the HPMP together with the tranche implementation plan for 2014 to 2016.

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

2. In the servicing sector, an additional training programme has started in vocational training centres, focussing on good practices and alternative technologies; the training of 12 trainers has been carried out in a five day training session. Awareness activities took place back-to-back with the congress of the Serbian Heating Ventilation Air-conditioning and Refrigeration (HVAC&R) Association in 2011 and 2012, consisting of an exhibition booth and a forum on refrigeration technology, having 55 participants in 2011. The HVAC&R Association also included special “Ozone pages” into its quarterly journal, to update on issues of general interest such as policies and latest developments.

3. The HPMP included conversion of four manufacturers of refrigeration equipment to HFC-410A and ammonia. The conversion of the enterprise Alfa Klima to HFC-410A had been completed with the phase out 2.9 metric tonnes (mt) (0.12 ODP tonnes) of HCFC-22. For the remaining three conversions contracts, planning and procurement preparation have been carried out, while further activities are only possible after the approval of the second tranche provides sufficient funding for procurement of necessary equipment. One of the remaining enterprises, Soko Inzinjering, was approved for conversion to HFC-410A, but proposes to convert to CO<sub>2</sub> cascade systems, ammonia/CO<sub>2</sub> cascade systems and hydrocarbons/CO<sub>2</sub> cascade systems for supermarkets and cold stores. The enterprise does not request additional funding for this change of technology. The Government in its submission letter specifically referred to the request of this company and supported it.

4. The Government established HCFC import quotas for 2012 and 2013 and allocated them to a number of registered importers. The quota was the pre-condition for issuance of import licenses for the respective importer. The country has also established a licensing system for HCFC-based equipment, with quotas being established from 1 January 2016 onwards to limit the licenses for import. Further regulation related to the phase-out of HCFCs, such as certification for technicians, is currently being drafted and is planned to be adopted by the end of 2013. The legislation includes import/export bans of products containing HCFCs, labelling requirements, and mandatory record-keeping for those handling ODS. Environmental officers responsible for enforcement have been trained in October 2013.

### Disbursement

5. Of the US \$386,130 approved for the first tranche, US \$169,033 has been disbursed; this represents 43 per cent of the approved amount. The remaining US \$217,097 will be disbursed in 2014 as part of the investment component.

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<sup>1</sup> The HPMP for Serbia was approved by the Executive Committee at its 62<sup>nd</sup> meeting to reduce HCFC consumption by 35 per cent by the end of 2020.

Annual plans for the second tranche of the HPMP

6. Activities proposed during the second tranche include: implementation and enforcement of the newly adopted legislation, in particular, the record keeping and reporting; completion of the conversion of the three remaining enterprises; support the set-up of a recovery and reclamation facility for HCFCs; and additional training for vocational centres including R&R and handling of alternatives. Further, a customs training component will be implemented and public awareness would be conducted. A standard curriculum for servicing technicians will be developed.

**SECRETARIAT'S COMMENTS AND RECOMMENDATION****COMMENTS**Operational licensing system

7. The Government confirmed in their submission letter signed by the Minister that “an enforceable national system of licensing and quotas for HCFC imports, exports, and transit is in place in the Republic of Serbia. The Ministry of Energy, Development and Environmental Protection has also introduced additional measures such as issuance of license per shipment with validity limited to the quarter in which it is issued and quarterly cross-checking of import and export data with customs administration.

HCFC consumption

8. HCFC consumption in Serbia is presented in Table 1.

Table 1: HCFC consumption in Serbia (2009 to 2012), Article 7 data

Year	2009	2010	2011	2012	Base-line	Difference to baseline	Change
<b>Metric tonnes</b>							
HCFC-22	148.2	133.8	209.3	169.1	141.0	28.1	19.9%
HCFC-123	0.0	2.1	0.0	0.0	1.1	-1.1	-100.0%
HCFC-141b	0.0	0.0	3.8	5.2	0.0	5.2	n/a
HCFC-142b	12.7	5.4	9.4	16.6	9.1	7.5	82.0%
<b>ODP tonnes</b>							
HCFC-22	8.15	7.36	11.51	9.30	7.76	1.54	19.8%
HCFC-123	0.00	0.04	0.00	0.00	0.02	-0.02	-100.0%
HCFC-141b	0.00	0.00	0.42	0.57	0.00	0.57	n/a
HCFC-142b	0.82	0.35	0.61	1.08	0.59	0.49	83.1%
Total	8.97	7.75	12.54	10.95	8.37	2.58	31%

9. Consumption of HCFC-22 dominates the overall HCFC consumption in the country. The consumption fluctuates somewhat, with the most recent peak in 2011; however, in 2012 consumption was 12.7 per cent lower than in 2011.

10. The HCFC baseline for compliance has been established, based on consumption data reported under Article 7 of the Montreal Protocol, at 8.4 ODP tonnes which is lower than the estimated baseline of 9.64 ODP tonnes. The funding level was adjusted from US \$990,670 to US \$973,260 in line with decision 60/44(f)(xii). The Government agreed to this reduction and provided a revised budget (Table 2) as well as a revised plan for the funding per tranche.

Table 2: Revised budget for the HPMP

Activity	UNIDO	UNEP	Total
<b>Activities in the servicing sector</b>			
Improve the legislative framework	45,000		45,000
Refrigeration technicians training	122,000		122,000
Customs officers training		52,000	52,000
Support to vocational schools	45,000		45,000
Awareness raising		23,500	23,500
Project coordination and monitoring	27,500		27,500
Sub-Total	239,500	75,500	315,000

### Technical issue

11. The Secretariat pointed out that a scheme using the funds available for R&R network at this point in time might be less effective than a number of other possible more cost effective uses, noting the reduced funding availability as compared to the original plan. UNIDO advised that Serbia's concept is to address R&R issues in an integrated approach jointly with waste regulation; such regulation is coming into force requesting recycling of all electric and electronic equipment, including refrigeration equipment. UNIDO advised further that during the CFC phase-out plan major enterprises in the servicing sector were supplied with versatile R&R as well as recharge equipment. It is intended to use the funds under the HPMP stage I to increase the capabilities of two waste management centres to enable them to handle the different of refrigerants. This will be achieved by providing a simple reclamation unit and laboratory equipment for quality control. UNIDO also advised that recovery during maintenance is already a legal requirement for all refrigeration applications.

### Conclusion

12. As of 2012, the Government of Serbia has an operational HCFC import licensing and quota system that will ensure that the level of consumption does not exceed the maximum allowable consumption under the Montreal Protocol and under the Agreement. Further, the conversion in the manufacturing sector, which is scheduled to be completed in two years, as well as the import controls on new equipment containing or depending on HCFCs will help substantially to reduce consumption in the future. It appears therefore that the country will be able to meet its Montreal Protocol obligations for 2013 and 2015. The country has made significant progress in the implementation of the HPMP and disbursed more than 40 per cent of the funding approved.

### Revision to the Agreement of the HPMP

13. 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 65/30(e)). Based on the revised HCFC baseline, the relevant paragraphs 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 62<sup>nd</sup> meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 71<sup>st</sup> meeting.

**RECOMMENDATION**

14. The Fund Secretariat recommends that the Executive Committee:
- (a) Takes note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Serbia;
  - (b) Notes that the Fund Secretariat had updated paragraphs 1 and 2, Appendices 1-A and 2-A of the Agreement between the Government of Serbia and the Executive Committee, based on the established HCFC baseline for compliance and the revised funding level, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 62<sup>nd</sup> meeting, as contained in Annex I to the present document; and
  - (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 8.4 ODP tonnes, calculated using actual consumption of 9.0 ODP tonnes and 7.8 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, and that the revised funding level for stage I of the HPMP for Serbia was US \$973,260 plus agency support costs in accordance with decision 60/44(f)(xii).
15. The Fund Secretariat further recommends approval of the second tranche of stage I of the HPMP for Serbia, and the corresponding 2014-2016 tranche implementation plan, with associated support costs at the funding level as shown in the table below:

	<b>Project title</b>	<b>Project funding (US \$)</b>	<b>Support cost (US \$)</b>	<b>Implementing agency</b>
(a)	HCFC phase-out management plan (stage I, second tranche)	444,130	33,310	UNIDO
(b)	HCFC phase-out management plan (stage I, second tranche)	27,500	3,575	UNEP

**Annex I**

**TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF SERBIA 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 Serbia (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 **5.46 ODP** tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

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 which exceeds the level defined in row 1.2 of Appendix 2-A (maximum allowable total consumption of Annex C, Group I substances) 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 which exceeds the level defined in rows 4.1.3, 4.2.3 and **4.3.3**, (remaining eligible consumption).

**16. This updated Agreement supersedes the Agreement reached between the Government of Serbia and the Executive Committee at the 62<sup>nd</sup> meeting of the Executive Committee.**

**APPENDIX 1-A**

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	<b>7.76</b>
<b>HCFC-123</b>	<b>C</b>	<b>I</b>	<b>0.02</b>
HCFC-142b	C	I	<b>0.59</b>
Total			<b>8.37</b>

**APPENDIX 2-A**

Row	Particulars	2010	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	n/a	8.4	8.4	7.56	7.56	7.56	7.56	7.56	5.46	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	8.4	8.4	7.56	7.56	7.56	7.56	7.56	5.46	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	360,130			444,130			67,800				25,700	897,760
2.2	Support costs for Lead IA (US \$)	27,010			33,310			5,085				1,928	67,333
2.3	Cooperating IA (UNEP) agreed funding (US \$)	26,000			27,500			14,450				7,550	75,500
2.4	Support costs for Cooperating IA (US \$)	3,380			3,575			1,879				981	9,815
3.1	Total agreed funding (US \$)	386,130			471,630			82,250				33,250	973,260
3.2	Total support cost (US \$)	30,390			36,885			6,964				2,909	77,148
3.3	Total agreed costs (US \$)	416,520			508,515			89,214				36,159	1,050,408
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)												2.94
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												0.00
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												4.82
4.2.1	<b>Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)</b>												<b>0.00</b>
4.2.2	<b>Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)</b>												<b>0.00</b>
4.2.3	<b>Remaining eligible consumption for HCFC-123 (ODP tonnes)</b>												<b>0.02</b>
4.3.1	<b>Total phase-out of HCCF-142b agreed to be achieved under this Agreement (ODP tonnes)</b>												<b>0.00</b>
4.3.2	<b>Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)</b>												<b>0.00</b>
4.3.3	<b>Remaining eligible consumption for HCFC-142b (ODP tonnes)</b>												<b>0.59</b>

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