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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-third Meeting
Geneva, 5-9 July 2004

Addendum

PROJECT PROPOSAL: SERBIA AND MONTENEGRO

This document is being issued to:

- **Replace** paragraph 21 **with** the following paragraphs:

21. With regard to incremental costs, the Secretariat had already indicated to UNIDO its agreement to the incremental costs proposed for the manufacturing sectors in aerosols, foam and refrigeration. Subsequent discussions took place on the servicing sector programme on the basis of the standardised cost-effectiveness of US \$5/kg and on the additional non-investment activities that may be eligible. Noting that Serbia and Montenegro had not previously received any assistance for non-investment projects or policy support, agreement was reached to include in the final proposal additional funding for the sub-project on customs training (US \$87,000). The final proposal also includes provision for a technical assistance programme (US \$100,000) to support phase-out in both servicing and manufacturing, especially for small or any remaining unidentified enterprises. However other elements included in the original project (monitoring and auditing – US \$100,000 and development of codes of practice – US \$35,500 will be accommodated within the agreed 12 per cent funding provisions for management and implementation of US \$293,844 (previously requested at US \$461,000).

22. The incremental cost of the final proposal as agreed with UNIDO is US \$2,742,544, with an overall cost-effectiveness of US \$6.65/kg, including the remaining manufacturing sectors.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

23. The proposed draft agreement reflecting the above is contained in Annex I. The proposed first annual plan is contained in Annex II.

RECOMMENDATION

24. The Executive Committee may wish to consider:

- (a) Approving in principle the national CFC phase-out plan for Serbia and Montenegro at a total level of funding of US \$2,742,544 plus agency support costs of US \$180,204 for UNIDO and US \$44,180 for Sweden, in accordance with the draft Agreement between the Government of Serbia and Montenegro and the Executive Committee contained in Annex I; and
- (b) Also approving US \$474,700 plus support costs of US \$35,603 for UNIDO and US \$148,000 plus support costs of US \$19,240 for Sweden for implementation of the 2004 annual programme of the national CFC phase-out plan.

Annex I**DRAFT AGREEMENT BETWEEN SERBIA AND MONTENEGRO AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Serbia and Montenegro (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A (the “Substances”) prior to 2010, compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A as Maximum Allowable Total Consumption of CFCs (the “Target”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. 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 the Substances.
3. Subject to compliance with the following paragraphs by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 9 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of the Target has been independently verified as described in paragraph 9; and
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;

- (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Implementation Programme, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in particular the servicing sector:

- (a) The Country would use the flexibility available under this agreement to address specific needs that might arise during project implementation;
- (b) The recovery and reuse programme for the refrigeration service sector would be implemented in stages so that remaining resources can be diverted to other phase-out activities, such as additional training or procurement of service tools, if the proposed results are not achieved and will be closely monitored in accordance with Chapter 10 in the project document

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO (the “Lead IA”) has agreed to be the lead implementing agency and Sweden (the “Co-operating IA”) has agreed to be a co-operating Implementing Agency under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Co-operating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Co-operating IA with the fees set out in row 6 and 8 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Target(s) for the elimination of the Substances in all the Sectors or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding

Approval Schedule. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeding the Maximum Allowable Total Consumption of CFCs limit (Appendix 2-A) in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Co-operating IA to facilitate implementation of this Agreement. In particular, it will provide access to the Lead IA and the Co-operating IA to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1-A THE SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex A:	Group I	CFC-11, CFC-12, CFC-113, CFC-114 and CFC-115
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Appendix 2-A THE TARGETS, AND FUNDING

	2004	2005	2006	2007	2008
Montreal Protocol Reduction Schedule (ODP tonnes)	849.2	424.6	424.6	127.38	127.38
1. Max allowable total consumption of CFCs* (ODP tonnes)	410	392	268	125	85
2. Reduction from on-going projects (ODP tonnes)	0	0	0	0	0
3. New reduction under plan (ODP tonnes)	2	18	124	143	40
4. Total annual reduction (ODP tonnes)	2	18	124	143	40
5. Lead I.A. agreed funding (US \$)	474,700	759,000	975,500	123,500	70,000
6. Lead I.A. support costs (US \$)	35,603	56,925	73,163	9,263	5,250
7. Co-operating IA agreed funding (US\$)	148,000	134,000	57,844	0	0
8. Co-operating IA support costs (US\$)	19,240	17,420	7,520	0	0
9. Total agreed funding (US \$)	622,700	893,000	1,033,344	123,500	70,000
10. Total agency support costs (US \$)	54,843	74,345	80,682	9,263	5,250
11. Total agreed grant for tranche (US\$)	677,543	967,345	1,114,026	132,763	75,250

Appendix 3-A FUNDING APPROVAL SCHEDULE

1. In order to assist the Country in establishing its implementation structure within the country, achievement of the 2005 reduction targets, and to initiate measures necessary to meet the other reduction targets included in Appendix 2-A, the Executive Committee decides at its 43rd Meeting to provide US \$622,700 plus US \$54,843 in agency support costs to Serbia and Montenegro.

2. Funding other than the payments in 2004, will be considered for approval at the first meeting of the year of the annual implementation plan.

Appendix 4-A FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

1. **Data**

Country

Year of plan

of years completed

of years remaining under the plan

Target ODS consumption of the preceding year

Target ODS consumption of the year of plan

Level of funding requested

Lead implementing agency

Co-operating agency

2. **Targets**

Target:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase- Out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity:

Objective:

Target Group:

Impact:

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Policy Control on ODS Import	
Public awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
TOTAL	

7. Administrative Fees

Appendix 5-A MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit monitors the consumption data of all Substances through regional teams. Inspections at reconverted companies are foreseen to ensure the non uses of Substances after project completion. The licensing System will be a tool to monitor and ensure compliance of control measures.

2. The Government has offered and intends to offer continuity of activities and endorsement for the projects through the institutional support over the next years. This will guarantee the success of any activity approved for Serbia and Montenegro.

3. After the establishment of the countrywide scheme of refrigerant recovery and reuse, the monitoring activity will be initiated to know whether the project is successfully implemented and the target CFC phase out is achieved.

4. Monitoring activity will be done by:

- (a) Establishing a system to ensure that every reuse centre and substantive size service workshop is encouraged or obliged to report data and give information to the recovery and reuse scheme. This may be enabled through forms to be filled by reuse centres and service workshops.
- (b) Setting up adequate office facilities including a computer system to collect and analyse the data.
- (c) Regular communication with the regional environmental and industry departments, customs offices, education and training institutions and industry associations.
- (d) Occasional visits to service workshops, reuse centres.

5. Information regarding CFC quantity and cost information will have to be supplied by the reuse centres and substantive size service workshops.

6. Data and information collected will be analysed to check the adequate operations of the scheme.
7. In the manufacturing sector the implementation process and the achievement of the phase out will be monitored through site visits at enterprise level.
8. UNIDO will perform regular monitoring, verification and auditing of the implementation of the National Phase-out Plan in line with the established procedures of both the Multilateral Fund and UNIDO.

Appendix 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
 - (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
 - (c) Assisting the Country in preparation of the Annual Implementation Programme;
 - (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
 - (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and the Annual Implementation Programme for the year are to be prepared and submitted to the first meeting of the Executive Committee of the year;
 - (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
 - (g) Carrying out required supervision missions;
 - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
 - (i) Verification for the Executive Committee that consumption of the Substances has been in accordance with the Target;
 - (j) Coordinating the activities of the Co-operating IAs, if any;

- (k) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (l) Providing assistance with policy, management and technical support when required.

Appendix 6-B ROLE OF THE CO-OPERATING IMPLEMENTING AGENCY

1. The Government of Sweden, as co-implementing agency, will be:
 - (a) Assisting the Country in the implementation and verification of the activities funded by the Swedish bilateral quota during 2004-2006 as specified in rows 7 and 8 of Appendix 2-A.
 - (b) Ensuring that disbursements are made to the Country in a timely and effective manner;
 - (c) Reporting to the Lead Agency on these activities and
 - (d) Providing assistance relating to the service sector when required and within the funds available.

Appendix 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$13,300 per ODP tonne of the amount exceeding the Maximum Allowable Total Consumption of CFCs limit in the year.

Annex II

Appendix 4-A ANNUAL IMPLEMENTATION PROGRAMME

1. **Data**

Country	Serbia and Montenegro
Year of plan	2004
# of years completed	-
# of years remaining under the plan	7
Target ODS consumption of the preceding year	412 ODP tonnes
Target ODS consumption of the year of plan	410 ODP tonnes
Level of funding requested	US\$ 622,700
Lead implementing agency	UNIDO
Co-operating agency	Sweden

2. **Targets**

Target:	410 ODP tonnes			
Indicators				
		Preceding Year	Year of Plan	Reduction
Supply of ODS by	Import	412	410	2
	Production	0	0	0
	Total (1)	412	410	2
Demand of ODS	Manufacturing	70	70	0
	Servicing	342	340	2
	Stockpiling	0	0	0
	Total (2)	412	410	2

3. Industry Action

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Manufacturing						
Aerosol	28.8	28.8	0	0		0
Foam	25.5	25.5	0	0		0
Refrigeration	15.6	15.6	0	0		0
Solvents	0	0	0	0		0
Other	0	0	0	0		0
Total	69.9	69.9	0	0		0
Servicing						
Refrigeration	342	340	2	0	2	2
Total	342	340	2	0	2	2
GRAND TOTAL	412	410	2	0	2	2

4. Technical Assistance

- a) Proposed Activity: Selection of training institutes and trainers for the component of "Training of existing workforce"
- Objective: Improvement of technical skills, dissemination of information on good practices in refrigeration servicing, awareness on available alternative refrigerants
- Target Group: Trainers in training institutions
- Impact: Established infrastructure to train existing workforce
- b) Proposed Activity: Initiate process to strengthening vocational schools

- Objective: Strengthening of vocational schools in order to improve the technical skill, dissemination of information on good practices in refrigeration servicing, awareness on available alternative refrigerants
- Target Group: Vocational schools
- Impact: Specify requirement of training material and training equipment
- c) Proposed Activity: Customs Training
- Objective: Improvement of the knowledge on ODS and ODS issues, national regulation on ODSs, awareness on alternative refrigerants at the customs offices
- Target Group: Customs officers and related government officials
- Impact: Improved control of imports of ODSs and ODS containing equipment and improved national statistics of ODS imports
- d) Proposed Activity: Workshop(s) and investment assistance for CFC user industry
- Objective: Achieve final phase out of CFC use in the manufacturing sectors
- Target Group: Enterprises in the above sectors
- Impact: Phase-out total CFC usage in the manufacturing sector in 2006
- e) Proposed Activity: Initiate assistance to authorities to update legislation
- Objective: Update legislation
- Target Group: Government authorities

- Impact: Assistance given in the national process of updating the legislation with respect to support the ODS control activities
- f) Proposed Activity: Initiate assistance to design licensing system for service technicians
- Objective: Development of licensing system for service technicians
- Target Group: Government authorities and industry
- Impact: Skilled workforce as it motivates/require the companies to invest time and money in training and equipment.

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Ratification of Amendments	As soon as possible, not later than Q3 2004
Decree to ban second-hand electrical goods including refrigerators	Issued in April 2004
Establishment of operational mechanism for management and monitoring of the NCPP	During 2004
Initiate the review and updating of the Ozone Depleting Substances (ODS) Regulations to support import/export licensing system and activities proposed in the NCPP	During 2004
Reorganization of customs system	During 2004

6. Annual Budget

Activity	PLANNED EXPENDITURES (US \$)	
	UNIDO	Sweden
1. Foam sector programme	100,000	0
2. Aerosol sector programme	35,000	0
3. Refrigeration manufacturing sector programme	177,700	0
4. Refrigeration servicing sector programme		
(1) Training of existing workforce	15,000	23,000
(2) Strengthening of vocational schools	0	35,000
5. Technical assistance for industry	50,000	0
6. Customs training	87,000	0
7. Project management and technical assistance	10,000	90,000
TOTAL	474,700	148,000
GRAND TOTAL	622,700	

7. Administrative Fees

Agency	Support costs for 2004 tranche (US \$)
UNIDO (7.5%)	35,603
Sweden (13%)	19,240
Total (US \$)	54,843
