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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-seventh Meeting
Montreal, 21-25 November 2005

PROJECT PROPOSAL: SERBIA AND MONTENEGRO

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

Phase out

- National CFC phase-out plan (second tranche)

UNIDO and
Sweden

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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: SERBIA AND MONTENEGRO

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

| | |
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| National CFC phase-out plan (second tranche) | UNIDO and Sweden |
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NATIONAL CO-ORDINATING AGENCY:

Ministry of Science and Environment,
Republic of Serbia

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF 25 MAY 2005)**

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|-----------------------|-------|
| Annex A Group I, CFCs | 282.9 |
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF 25 MAY 2005)

| ODS | Aerosol | Foam | Ref. mfg. | Ref. Service | Solvent | TOTAL |
|-----------|---------|------|-----------|--------------|---------|--------|
| CFC-11 | 16.40 | 6.36 | 1.20 | 4.30 | 0.00 | 28.26 |
| CFC-12 | 4.10 | 0.00 | 12.00 | 236.34 | 0.00 | 252.44 |
| CFC-113 | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 | 0.05 |
| CFC-114 | 0.00 | 0.00 | 0.00 | 0.14 | 0.00 | 0.14 |
| CFC-115 | 0.00 | 0.00 | 0.58 | 1.42 | 0.00 | 2.00 |
| CFC Total | 20.50 | 6.36 | 13.78 | 242.20 | 0.05 | 282.89 |

CFC consumption remaining eligible for funding (ODP tonnes)

n.a.

CURRENT YEAR BUSINESS PLAN: Total funding 967,345: total phase-out 18 ODP tonnes

| PROJECT DATA | | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|---|--|---------|---------|-----------|---------|--------|-----------|
| CFCs (ODP tonnes) | Montreal Protocol limits | 849.2 | 424.6 | 424.6 | 127.38 | 127.38 | n.a. |
| | Annual consumption limit | 410 | 392 | 268 | 125 | 85 | n.a. |
| | Annual phase-out from ongoing projects | 0 | 0 | 0 | 0 | 0 | 0 |
| | Annual phase-out newly addressed | 2 | 18 | 124 | 143 | 40 | 327 |
| | Annual unfounded phase-out | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ODS CONSUMPTION TO BE PHASED OUT | | 2 | 18 | 124 | 143 | 40 | 327 |
| Total ODS consumption to be phased in (HCFCs) | | 0 | 0 | 0 | 0 | 0 | 0 |
| Final Project costs (US\$): | | | | | | | |
| | Funding for UNIDO | 474,700 | 759,000 | 975,500 | 123,500 | 70,000 | 2,402,700 |
| | Funding for Sweden | 148,000 | 134,000 | 57,844 | 0 | 0 | 339,844 |
| Total project funding | | 622,700 | 893,000 | 1,033,344 | 123,500 | 70,000 | 2,742,544 |
| Final Support cost | | | | | | | |
| | Support cost for UNIDO | 35,603 | 56,925 | 73,163 | 9,263 | 5,250 | 180,204 |
| | Support cost for Sweden | 19,240 | 17,420 | 7,520 | 0 | 0 | 44,180 |
| Total support costs | | 54,843 | 74,345 | 80,682 | 9,263 | 5,250 | 224,383 |
| TOTAL COST TO MULTILATERAL FUND (US\$) | | 677,543 | 967,345 | 1,114,026 | 132,763 | 75,250 | 2,966,927 |
| Final project cost effectiveness (US\$/kg) | | | | | | | 5.96 |

FUNDING REQUEST: Approval of funding for 2nd tranche (2005) as indicated above.

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| SECRETARIAT'S RECOMMENDATION |
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| Blanket approval |
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PROJECT DESCRIPTION

1. On behalf of the Government of Serbia and Montenegro, UNIDO as lead agency has submitted to the 47th Meeting of the Executive Committee a request for consideration of the second tranche of the National CFC phase-out plan (NCP) for Serbia and Montenegro. The request was accompanied by a report of the achievements of the first tranche, an annual implementation programme for the second tranche, and a verification report.
2. The agreement for the National CFC phase-out plan for Serbia and Montenegro was originally approved at the 43rd Meeting of the Executive Committee in 2004, with an associated level of funding of US \$2,742,544. With the support of this plan, the Government of Serbia and Montenegro intends to achieve a complete phase out of its CFC consumption by 2009, starting at a consumption level of 410 ODP tonnes in 2004.
3. UNIDO reported on the implementation of the first tranche of the annual implementation programme. The implementation of the project started in August 2004 through discussion between the NOU, Sweden and UNIDO. The comparison between the planned activities in the first annual implementation programme approved in 2004 and the actual activities carried out so far show some discrepancies, in particular regarding some technical assistance activities (see also para. 7 below). However, significant process was achieved in terms of ratification of all Montreal Protocol amendments by Serbia and Montenegro since approval of the first tranche, as well as in the implementation in the refrigeration manufacturing sub-sector.
4. The activities to be implemented as part of the first tranche of the annual implementation programme had planned expenditures of US \$622,700, of which US \$242,402 (38.9%) were actually obligated or spent until August 2005.
5. The annual implementation programme for the second tranche follows the format provided in the agreement between Serbia and Montenegro and the Executive Committee. Of the US \$893,000 foreseen for the second tranche, US \$488,000 (54.7%) are planned for a refrigeration servicing sector program, US \$109,000 (12.2%) for a foam sector program, US \$90,000 (10.1%) for a aerosol sector program, US \$50,000 (5.6%) each for a refrigeration manufacturing sector program and for technical assistance to the industry, and the remainder for project management and implementation.
6. The consumption of the five major CFCs (CFC-11, CFC-12, CFC-113, CFC-114, CFC-115) in Serbia and Montenegro in 2004 has been verified to be 288.177 ODP tons. The reported Article 7 data has been 282.82 ODP tonnes. Plausible reasons for the difference of 5357 kg equal to 1.9% were provided in the verification report. The actual consumption as per verification was significantly lower than the maximum consumption allowed under the agreement of 410 ODP tonnes.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

7. The Secretariat raised with UNIDO and Sweden its concerns regarding the lack of progress in the establishment of a project management unit (PMU). UNIDO informed the Secretariat that the PMU could not be established yet due to restructuring of the respective Ministry. UNIDO, Sweden and the Secretariat agreed that it is essential for the national function for project management and monitoring of the plan to be established within the implementation of the second tranche annual implementation programme.

8. The Secretariat raised with UNIDO a number of additional issues, relating to the planning process, reasons for an assumed increase in consumption in the next year, and responsibilities for decision making within the plan. The issues were addressed accordingly and satisfactorily in the reply received from UNIDO.

RECOMMENDATION

9. The Fund Secretariat recommends blanket approval of the second tranche of the phase-out plan with associated support costs at the funding levels shown in the table below, on the understanding that approval for a third tranche is condition to the establishment of the Project Management Unit:

| | Project Title | Project Funding (US\$) | Support Cost (US\$) | Implementing Agency |
|-----|--|------------------------|---------------------|---------------------|
| (a) | National CFC phase-out plan (second tranche) | 759,000 | 56,925 | UNIDO |
| (b) | National CFC phase-out plan (second tranche) | 134,000 | 17,420 | Sweden |

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