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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-second Meeting
Montreal, 23-27 July 2007

PROJECT PROPOSAL: BOSNIA AND HERZEGOVINA

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

Phase-out

- National ODS phase-out plan (third tranche)

UNIDO

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
BOSNIA AND HERZEGOVINA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National ODS phase-out plan (third tranche)	UNIDO
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NATIONAL CO-ORDINATING AGENCY:	NOU, Ministry of Foreign Trade and Economic Relations
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF JUNE 2007)**

Annex I, Group I	50.8	Annex B, Group III	0.0

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2006, AS OF JUNE 2007)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFC-112				31.47			
CFC-115				0.13			
TCA					0.0		

CFC consumption remaining eligible for funding (ODP tonnes)	n/a
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CURRENT YEAR BUSINESS PLAN: Total funding CFC - US \$304,000, TCA – US \$22,000: total phase-out of 41 ODP tonnes.

PROJECT DATA		2003*	2004	2005	2006	2007	2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits for the country	24.2	24.2	12.1	12.1	3.6	3.6	3.6	0	n.a.
	Agreed annual consumption limits	235.3	167.0	102.1	33.0	3.0	0	0	0	n.a.
	Annual phase-out from ongoing projects		68.3	47.0	0	0	0	0	0	114.1
	Annual phase-out newly addressed		0	17.9	69.1	30.0	3.0	0	0	120.0
	Annual MLF-funded phase-out		68.3	64.9	69.1	30.0	3.0	0	0	234.1
TCA (ODP tonnes)	Montreal Protocol limits for the country	1.7	1.7	1.1	0	0	0	0	0	n.a.
	Annual phase-out from ongoing projects		0.6	0	0	0	0	0	0	0.6
	Annual phase-out newly addressed		0	1.1	0	0	0	0	0	1.1
	Annual MLF-funded phase-out		0.6	1.1	0	0	0	0	0	1.7
TOTAL ODS CONSUMPTION TO BE PHASED-OUT (CFCs and TCA)			67.7	66.0	69.1	30.0	3.0	0	0	235.8
Total ODS consumption to be phased in		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total project funding (US \$)		265,300	295,860	303,000	-	-	-	-	-	864,160
Total support cost (US \$)		19,898	22,190	22,725	-	-	-	-	-	64,812
TOTAL COST TO MULTILATERAL FUND (US \$)		285,198	318,050	325,725	-	-	-	-	-	928,972
Final project cost effectiveness (US \$/kg)										n/a

*Estimated value

FUNDING REQUEST: Approval of funding for the third tranche (2005) as indicated above.

SECRETARIAT'S RECOMMENDATION	Pending
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PROJECT DESCRIPTION

1. On behalf of Government of Bosnia and Herzegovina UNIDO has submitted a request amounting to US \$303,000 plus agency support cost of US \$22,725 for the third tranche of the National ODS phase-out plan (NPP). UNIDO has also submitted a verification report prepared by a national consulting company on the 2005 consumption of CFCs and TCA, together with the second tranche progress report and third tranche annual implementation programme.

Background

2. The National ODS Phase-out Plan for Bosnia and Herzegovina was approved in December 2003 at the 41st Meeting of Executive Committee, taking into account the plan of action recommended by the 31st Meeting of the Implementation Committee and approved in decision XV/30 at the 15th Meeting of the Parties. In its plan of action the Government of Bosnia and Herzegovina committed to reducing its CFC consumption from 243.6 ODP-tonnes in 2002 to 235.3 ODP tonnes in 2003, 167 ODP tonnes in 2004, 102.1 ODP tonnes in 2005, 33 ODP tonnes in 2006, 3 ODP tonnes in 2007. The Government further committed to phasing out CFC consumption by 1 January 2008, except for essential uses that might be authorized by the Parties. Bosnia and Herzegovina also agreed to establish, by 2004, a system for licensing imports and exports of ODS including quotas, and to ban imports of ODS-based equipment by 2006. Targets and funding are reproduced in Table 1 below as contained in the Agreement between the Government of Bosnia and Herzegovina and the Executive Committee.

	2003(*)	2004	2005	2006	2007	2008	2009	2010
1A. Max agreed total consumption of Annex A Group I substances (ODP tonnes)	235.3	167.0	102.1	33.0	3.0	0	0	0
2. Reduction from ongoing projects		68.3	47.0	0	0	0	0	0
3. New reduction under plan		0	17.9	69.1	30.0	3.0	0	0
4. Total annual reduction of Annex A Group I substances (ODP tonnes)		68.3	64.9	69.1	30.0	3.0	0	0
5. Max allowable total consumption of Annex B Group III substances (ODP tonnes)	1.7	1.7	1.1	0	0	0	0	0
6. Reduction from ongoing projects	-	0.6	0	0	0	0	0	0
7. New reduction under plan	-	0	1.1	0	0	0	0	0
8. Total annual reduction of Annex B Group III substance (ODP tonnes)	-	0.6	1.1	0	0	0	0	0
9. Lead I.A. agreed funding (US \$)	265,300	295,860	303,000	0	0	0	0	0
10. Lead I.A. support costs (US \$)	19,898	22,190	22,725	0	0	0	0	0
11. Total agreed funding (US \$)	285,198	318,050	325,725	0	0	0	0	0

(*) Estimated consumption figure

3. In 2004, the Government of Bosnia and Herzegovina reported consumption of 2.44 ODP tonnes of methyl chloroform (TCA) exceeding the established baseline consumption. The issue of compliance of Bosnia and Herzegovina in relation to TCA consumption was discussed at the 17th Meeting of the Parties. The plan of action on the reduction of TCA consumption was established as follows: to 1.3 ODP tonnes in 2005; to zero ODP tonnes in

2006. (decision XVII/28). The decision also set up a new deadline for establishing a system for licensing imports and exports of ODSs, which includes import quotas, by the end of January 2006.

4. At its 44th Meeting, the Executive Committee considered the request for the second funding tranche under the NPP. The attention of the Executive Committee was drawn to the country's non-compliance with decision XV/30 on establishing the import licensing system by 2004 and with the TCA freeze in 2003. The representative of UNIDO in his clarification pointed out to the difficulties involved in adopting the licensing system at the state level, explaining that the TCA consumption target for 2004 had not been met because consumption forecasts had been underestimated for that year, which was the year of approval for that project. The Executive Committee in its decision 44/41 approved the second (2005) annual work programme and the second tranche and requested UNIDO to withhold disbursement of US \$19,019 until TCA consumption targets had been met and the country's licensing system had been established.

Progress Report on Activities Undertaken in 2005 and 2006

5. UNIDO, on behalf of the Government of Bosnia and Herzegovina, submitted the progress report on implementation of the second Work Programme.

6. According to the progress report, several activities were accomplished in 2005-2006:

- (a) In November 2006, the Framework Environmental Law was adopted by the State Council of Ministers after long negotiation between the two entities forming a second tier government in Bosnia and Herzegovina, i.e. the Bosniak/Croat Federation of Bosnia and Herzegovina and the Republic of Srpska. On 15 May 2007, the official gazette published the decision of the Council of Ministers introducing the law, including a by-law on the ODS import and export licensing system and quotas.
- (b) In the foam sector, one company manufacturing rigid foam insulation was converted to non-CFC foam blowing technology. There is no remaining CFC consumption in the foam sector in the country.
- (c) In the refrigeration manufacturing sector, the installation and commissioning of non-CFC based equipment has been completed at six commercial refrigeration manufacturing companies. Thus, the CFC consumption has been phased out in this sector.
- (d) In the solvent sector, the non-CFC metal cleaning equipment was installed at the last company consuming TCA as solvent. The total phase-out of TCA has been achieved switching to perchlorethylene as the alternative.

7. Activities on custom training, establishing a recovery and recycling system in the refrigeration servicing sector and training of refrigeration servicing technicians have not been implemented as planned in the second annual implementation programme.

8. The progress report contains information on the financial status of the implementation of the NPP. The expenditures incurred represent about 69% of the total allocations approved under the first and second tranches. The unspent balance stands at US \$176,016.

Verification report

9. The verification report has been prepared by the Regional Environmental center for Central and Eastern Europe. The data on ODS imports from three different sources has been obtained (customs, importers and institutes of statistics in the two entities in Bosnia and Herzegovina). The information from importers was obtained on a voluntary basis. According to the verification report, these sources provided highly inconsistent 2005 consumption data as follows (in ODP tonnes).

Substances	NOU Reports to MLF and Ozone Secretariat (as per verification report)	Customs Office	Institutes of Statistics	Importer Reports
CFCs	51.2	26.5	63.3	40.3
TCA	0.7	0.0	0.0	0.0

10. The report recognizes that it was not possible to come to a firm conclusion on which source of information on ODS consumption would be more credible. According to the auditor, an incomplete official list of ODSs and inadequate custom tariffs applied to import/export registration, the absence of both a national import/export system as well as established quotas resulted in the significant inconsistency in ODS consumption data reported by the entities involved.

11. According to the Ozone Secretariat's data base, the Government of Bosnia and Herzegovina reported its 2005 CFC and TCA consumption as 50.8 ODP tonnes and zero ODP tonnes, respectively. These figures are not fully consistent with the related information in the verification report. The 2005 targets on CFC and TCA consumption in the Agreement are established at 102.1 ODP tonnes and 1.1 ODP tonnes, respectively.

Third Annual Implementation Programme

12. The third annual implementation programme contains planning activities to be implemented in the refrigeration manufacturing and servicing sub-sectors and in the solvent sector. The estimated CFC consumption of 51.5 ODP tonnes in 2005 (according to the annual report and not fully consistent with the other data) in these sectors is expected to have been reduced by 18.5 ODP tonnes to 33.0 ODP tonnes in 2006. The proposed activities cover the provision of technical assistance in the project management, enhancement of capacity of customs, undertaking investment activities for recovery and recycling of CFC refrigerants, and training of refrigeration technicians. Policy development activities at the Government level will address the enforcement of regulations facilitating the reduction in CFC consumption, the introduction of the ban on imports of ODS-based equipment, monitoring, public awareness activities and conducting the verification of 2006 ODS consumption. The proposed activities are presented in accordance with the format outlined in the Agreement.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

13. The Secretariat noted the adoption of the framework environment legislation in Bosnia and Herzegovina, together with a by-law on establishing the ODS import licensing system, including quotas. The Government of Bosnia and Herzegovina reported on the implementation of decision XVII/28 to the 38th Meeting of the Implementation Committee in Nairobi on 8 and 9 June 2007.

14. The Secretariat noted further that the adoption of legislation represents only a basis for the establishment of the import control mechanism, and for a system of information and monitoring of trade and consumption of ODS. The licensing and quota system is yet to be established in practical terms, and concrete steps have to be undertaken by the entities of Bosnia and Herzegovina and administrative offices in the country, including the customs office, and other stakeholders in the near future. Appropriate actions are also necessary to resolve the problems identified by the independent auditor in the course of the verification of ODS consumption in the country.

15. Activities approved in the first implementation plan and in the second implementation programme related to:

- (a) Enhancement of customs capacity and the training of refrigeration technicians;
- (b) Establishing of training centres;
- (c) Provision of servicing tools and equipment; and
- (d) Provision of recovery and recycling equipment and establishing recovery/recycling centres.

16. The activities mentioned above have not been accomplished and have been deferred to the end of 2007. The 2006 CFC consumption is estimated to be 31.7 ODP tonnes, which is concentrated in the refrigeration servicing sector. The country faces a challenge to phase-out all the remaining CFC consumption within the next six months in order to achieve zero CFC consumption by 1 January 2008, as established in decision XV/30 of the Meeting of the Parties and the Agreement between the Government of Bosnia and Herzegovina and the Executive Committee.

17. The Agreement stipulates in paragraph 5 that the Executive Committee will not provide the funding in accordance with the Funding Disbursement Schedule unless the country satisfies, among others, the following conditions:

- (a) That the country has met the target for the applicable year;
- (b) That the meeting of these targets 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.

18. It appears that the condition referred to in paragraph 17 (a) has not been fully fulfilled since conclusions of the verification report cannot confirm any specific consumption. The condition in paragraph 17 (c) is also not fulfilled.

19. At the same time the country is at risk of non-compliance unless appropriate measures are taken urgently which support the phasing-out of CFC consumption in the refrigeration servicing sub-sector and establishing effective control on ODS imports. The Secretariat has requested UNIDO to approach the Government of Bosnia and Herzegovina and assist in the development of a detailed action plan for achieving zero CFC consumption by 1 January 2008 containing specific milestones and related schedule for the release of funds.

20. UNIDO advised the Secretariat that the selection and recruitment of a local project manager and the staff for the Project Management Unit (PMU) is ongoing and is to be completed in June 2007. One of the main responsibilities of the PMU will be the development of the detailed plan of action on achieving the accelerated phase-out in the refrigeration servicing sub-sector. The action plan is to be developed and coordinated in July 2007 and its implementation is to commence in August 2007.

21. The Executive Committee will be advised on the progress.

RECOMMENDATION

22. Pending.
