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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-seventh Meeting
Bangkok, 16-20 July 2012

PROJECT PROPOSAL: THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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

Phase-out

- HCFC phase-out management plan (phase I, third tranche)

UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
the former Yugoslav Republic of Macedonia

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2011	2.5 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2011	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-141b in Imported Pre-blended Polyol		1.6							1.6
HCFC-142b									
HCFC-22					0.9				0.9

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	2.70	Starting point for sustained aggregate reductions:	3.35
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.63	Remaining:	1.17

(V) BUSINESS PLAN		2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNIDO	ODS phase-out (ODP tonnes)	n/a	1.80	1.80	1.62	1.53	1.44	1.35	1.26	1.17	n/a
	Funding (US \$)	296,039	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,046,039

CONTINUATION OF PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

(VI) PROJECT DATA		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	2.70	2.70	2.43	2.43	2.43	2.43	2.43	1.76	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	1.80	1.80	1.62	1.53	1.44	1.35	1.26	1.17	n/a
2.1	Lead IA (UNIDO) agreed funding(US \$)	15,000	107,000	296,039	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,168,039
2.2	Support costs for Lead IA(US \$)	1,125	8,025	22,203	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,603
3.1	Total agreed funding (US \$)	15,000	107,000	296,039	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,168,039
3.2	Total support cost	1,125	8,025	22,203	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,603
3.3	Total agreed costs (US \$)	16,125	115,025	318,242	159,100	88,150	88,150	88,150	140,825	80,625	80,625	80,625	1,255,642

(VII) Request for funding for the third tranche (2012)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNIDO	296,039	22,203

Funding request:	Approval of funding for the remainder of the second tranche (2012) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of the former Yugoslav Republic of Macedonia UNIDO, as the lead implementing agency, has submitted to the 67th meeting of the Executive Committee a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP) in combination with a request for funding, for inclusion in its HPMP, for activities related to the phase-out of the use of HCFC-141b in pre-blended polyols as per decision 60/38(g)(i) at a total cost of US \$296,039 plus agency support costs of US \$22,203 for UNIDO. The submission includes a progress report on the implementation of the second year of the HPMP, and an annual implementation plan for 2012.

Background

2. The HPMP for the former Yugoslav Republic of Macedonia was approved by the Executive Committee at its 60th meeting, to reduce HCFC consumption by 35 per cent of the baseline by the end of 2020, at a total funding level in principle of US \$1,030,000, plus agency support costs of US \$77,250. This HPMP was the first to be approved, was approved prior to decision 60/44 on outstanding HCFC policy issues, and included institutional strengthening until 2020. At the 60th meeting the Executive Committee approved US \$15,000 plus agency support costs for implementation of the first year of the HPMP. In decision 63/64, the Executive Committee approved funds to cover US \$26,000 in advance of the second tranche, and in decision 64/15 the remainder (US \$81,000) of the second tranche was approved, at a combined level of US \$107,000 plus agency support cost.

Foam sector

3. With the request for the third tranche of the HPMP, the country also requested funding of the foam sector that uses HCFC-141b contained in imported pre-blended polyol. All four enterprises involved are fully locally owned, and do not export to non-Article 5 countries. They were established between 1970 and 1990, with the foam production capacity of today's scale being established in all cases well before 2007. Further relevant information can be found in Table 1 below.

Table 1 - Relevant characteristics of enterprises in the foam sector

Name	Koper - Negotino	Sileks AD Co.	Zlatna Raka	Frigoteknika
Products	Rigid PU foam for the unitary refrigeration equipment, such as bottle and wine coolers	Rigid PU sandwich panels	Rigid PU foam for insulated segment doors	Commercial refrigeration display cases and fridges
Second conversion	No	Yes	No	No
2007/2009 HCFC-141b use (kg)	8,917	3,400	1,000	780
2009/2010 HCFC-141b use (kg)	8,250	3,000	1,000	520
Latest HCFC-141b use (2011) (kg)	11,250	3,000	1,000	520
Current equipment	2 low pressure foaming machines	1 high pressure foaming machine	1 low pressure foaming machine	Hand mixing
Included in original HPMP submission (59th and 60th meetings)	Yes	Yes	Yes	No

The proposal submitted to the 67th meeting included a request for incremental capital costs (ICC) for the replacement of one low-pressure foaming machine, retrofitting of the remaining three foaming machines, trials, training and technology transfer, as well as a request for incremental operating costs (IOC), based on the conversion needs to HFC-245fa as a foam blowing agent. The associated costs were requested at a level of US \$149,811.

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

4. UNIDO, on behalf of the Government of the former Yugoslav Republic of Macedonia, submitted to the 67th meeting a report on the implementation of the second tranche, a report on the MYA tables regarding implementation in 2011, and a monitoring and audit report for 2011. The following activities have been included:

- (a) A rulebook on ODS management was developed, providing full harmonization with the European Union and Montreal Protocol provisions, such as reporting on the imported/exported ODS, collection, recovery and recycling (R&R) of the ODS, and management of equipment containing more than 3 kg ODS including the content of logbooks. The drafting has been completed, and it is expected to be adopted by the end of June 2012. Software to manage the data from logbooks is under preparation. An ordinance for banning import of non-refillable containers was drafted, and is likely to be adopted by the end of 2012;
- (b) National consultants were engaged to develop the training materials for professors, service technicians and end-users. Preparation of training materials was completed in March 2011. Three training courses for 30 participants from ten secondary vocational schools were conducted. National experts conducted six two-day training courses for service technicians training 81 service technicians;
- (c) Twenty-five service shops reported recovered and recycled quantities of refrigerants in 2011. The amount of HCFC-22 for 2011 is 3,381 kg, or representing 20.7 per cent of the HCFC-22 consumption in the country. Other refrigerants recovered are 271 kg of CFC-12 and 45 kg of CFC-502 as well as quantities of HFC-134a, HFC-404A, HFC-407C, HFC-410A, and HFC-403B. The total amount of refrigerants recovered is 10.9 tonnes, with waste from recycling operations for disposal of 8.6 per cent. The report points out that this result was achieved with relatively old equipment, dating pre-2005;
- (d) According to the Order limiting import of air conditioners containing HCFCs, permits were issued for 19,365 air-conditioning units, and 15,405 units were being imported against these permits. In 2011 import permits were issued for 25.84 metric tonnes (mt) (1.42 ODP tonnes) of HCFC-22, against which 13.32 mt (0.90 ODP tonnes) were imported; and
- (e) By the end of 2011, of the US \$122,000 approved for the first and second tranches, US \$103,311 (84.7 per cent) had been disbursed or committed.

Annual plan for 2012

5. Two more workshops with stakeholders are foreseen to promote the HPMP. Mandatory logbooks for users of equipment containing more than 3 kg refrigerant are also expected in 2012 and 2013, and the adoption of the ban on import of non-refillable HCFCs containers from 1 January 2015. Seven two-day training courses for 100 service technicians and end-users are planned, as well as the preparation of training materials for customs officers. The specifications for R&R equipment are to be prepared, and the

equipment is to be purchased and delivered to the users. Finally, the project for the foam sector will commence, with equipment delivery foreseen for 2013 and completion of this activity forecasted for 2014.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

HCFC consumption and establishment of a baseline

6. The HCFC baseline for compliance for the former Yugoslav Republic of Macedonia has been established at 2.7 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 2. At the time of approval of the HPMP for the country, only 2009 Article 7 data was known, and the practice of estimating the future baseline when submitting an HPMP had not yet been established. Consequently, the Agreement approved at the 60th meeting included instead of figures for baseline and maximum allowable consumption only references to the future baseline. Upon request, UNIDO, and after consultation with the Government, confirmed that the HCFC-141b reported under Article 7 for the years since 2007 was contained in imported pre-blended polyol, and that no import of bulk HCFC-141b took place. The baseline figures were used to update the Agreement accordingly. UNIDO has been requested to advise the Government to inform the Ozone Secretariat about the reporting of HCFC-141b contained in imported pre-blended polyol as consumption.

Table 2 - HCFC use and consumption (Article 7 and HPMP)

Year	2007	2008	2009	2010	2011	Baseline
Substance	Metric tonnes					
HCFC-22 (Article 7)	22.7	36.9	41.6	23.9	16.3	32.8
HCFC-141b (Article 7)	14.5	13.0	15.7	0.0	14.6	7.9
HCFC-141b contained in imported pre-blended polyols - use by eligible industry	14.5	15.8	12.0	13.5	15.8	14.1
Total consumption (Article 7)	37.2	49.9	57.3	23.9	30.9	40.6
Total use	37.2	52.7	53.6	37.4	32.1	45.5
	ODP tonnes					
HCFC-22 (Article 7)	1.25	2.03	2.29	1.31	0.90	1.80
HCFC-141b (Article 7)	1.60	1.43	1.73	0.00	1.61	0.87
HCFC-141b contained in imported pre-blended polyols - use by eligible industry (baseline ave. 2007-2009)	1.60	1.74	1.32	1.49	1.74	1.55
Total consumption (Article 7)	2.85	3.46	4.02	1.31	2.51	2.7
Total use	2.85	3.77	3.61	2.80	2.64	3.21

7. The Article 7 data shows reporting of HCFC-141b consumption in all years from 2002 to 2011, with the exception of the year 2010. UNIDO has confirmed that consistently this reporting referred to imports of HCFC-141b contained in pre-blended polyols. Thus, the country has reported in one baseline year (2009) the HCFC-141b use as part of Article 7 data and in the other year (2010) not. The Secretariat suggests applying the requirements in sub-paragraph (c) of decision 61/47 to this submission, pertaining to use of HCFC-141b not being counted as consumption.

Foam sector original submission and background

8. An umbrella project for the foam sector had originally been submitted with the original HPMP, at a requested level of US \$550,000, covering three enterprises using HCFC-141b contained in imported pre-blended polyols, which were consistently reported under Article 7 as consumption. During the 60th meeting when discussing the submission of the country, the Executive Committee debated whether pre-blended polyols constituted official consumption under the Montreal Protocol and, accordingly, whether they were eligible. As a result, the Executive Committee, when approving the HPMP, also decided in decision 60/38(g)(i) to allow the former Yugoslav Republic of Macedonia to submit to the Executive Committee at a future Meeting for subsequent inclusion in its HPMP a funding request for activities related to phase-out of the use of HCFC-141b in pre-blended polyols.

9. In decision 61/47, the Executive Committee confirmed that the phase-out of HCFC-141b contained in pre-blended polyol systems that were imported and counted as consumption under Article 7 was eligible for assistance. It decided that in cases where such use had not been counted as consumption under Article 7, that the starting point for aggregate reduction in HCFC consumption should include the annual amount of HCFC-141b contained in imported polyol systems during the 2007-2009 period.

Starting point

10. Decision 61/47 and the suggestion of the Secretariat in paragraph 7 above would imply calculating the starting point for the country using the baseline consumption, plus a quantity of HCFC-141b in imported pre-blended polyol. This quantity could be determined as the average consumption of eligible enterprises in the country in the years 2007 to 2009, minus by the amount of HCFC-141b consumption reflected in the baseline.

Commitment and inclusions related to the foam sector

11. Decision 61/47 had also requested a commitment from the country to put in place, by the time the last foam manufacturing plant had been converted to a non-HCFC technology, regulations or policies banning the import and or the use of HCFC-141b pre-blended polyol systems. This commitment was provided through UNIDO. The foam sector plan for the country, as submitted, also complied with the other provisions of decision 61/47 (c), namely to include all relevant enterprises as well as their HCFC-141b use in the plan, and to indicate how the whole use in the country would be phased out. In the case of the former Yugoslav Republic of Macedonia, the four enterprises represent all of the HCFC-141b users, and the requested activity will completely eliminate the use of HCFC-141b contained in pre-blended polyol in the country.

Second conversion

12. In decision 60/44(b), the Executive Committee had decided that full funding of eligible incremental costs will be considered where an Article 5 Party clearly demonstrates in its HPMP that such projects are necessary to comply with the Montreal Protocol HCFC targets up to and including the 35 per cent reduction step by 1 January 2020 and/or are the most cost-effective projects measured in ODP tonnes that the Party concerned can undertake in the manufacturing sector in order to comply with these targets. For all other second-stage conversion projects funding would be limited to funding for installation, trials, and training associated with those projects. In the event that the consumption of HCFC-141b had not been reported under Article 7, the commitment of the Government of the former Yugoslav Republic of Macedonia still explicitly states that a pre-condition for the requested ban on the import of pre-blended polyols containing HCFC-141b would be the conversion of all foam-manufacturing plants to non-HCFC technology; that would include the expenditures for the one plant where there is a second stage conversion. It should however be noted that HCFC-141b contained in imported pre-blended polyol is being reported under Article 7, including for the year 2011. The country currently uses 14.1 mt of

HCFC-141b annually; if fully phased out, these would reduce the country's consumption to 67.4 per cent of the baseline or slightly above the 2020 reduction step. The condition establishing a priority for conversion of all enterprises appears to be satisfied.

Technology selection

13. The original submission had proposed the use of HFC-245fa as a replacement. UNIDO subsequently confirmed that, given recent practice, the replacement technology would be HFC-245mfc co-blown with water. The Secretariat considered the products of the four manufacturers, and the availability of replacement technologies in the region, and queried whether methyl formate (MF) technology for the insulation uses in the enterprises Koper-Negotino and Frigoteknika as well as the use of CO₂-water in the other two enterprises, or the use of MF throughout, might not be the better choice, given the significant global warming potential (GWP) of HFC-245mfc. The country agreed to convert all uses to MF.

Funding

14. The Secretariat discussed with UNIDO the different cost items, and agreed on a downward revised level of incremental cost of US \$139,632. However, taking into account the cost-effectiveness threshold for the polyurethane (PU) foam sector of US \$7.83/kg, as well as decision 60/44(f)(iv) allowing funding of up to a maximum of 25 per cent above the cost effectiveness threshold if needed for the introduction of low-GWP alternatives, the maximum eligible incremental cost would be capped by the threshold at a level of US \$138,039. The details of the cost calculation are provided in Table 3 below.

Table 3 -Agreed funding for the foam activity

Item	Company	Agreed costs (US \$)
Incremental capital cost (ICC)		
Retrofit of 1 high-pressure foam machine	Sileks AD Co.	9,000
Replacement of 1 low-pressure foam machine	Koper - Negotino	40,000
Retrofit of 1 low-pressure foam machine	Zlatna Raka	6,000
Anti-corrosion measures		7,000
Technology transfer support	4 enterprises	29,500
Trials and testing		2,000
Training		8,000
Technical workshop		2,500
Sub-total		104,000
Contingency		10,400
Total ICC		114,400
Incremental operating cost (IOC)		
IOC	on 2011 use of 15,770kg	25,232
Total incremental cost		139,632
Eligible tonnes		14.1
Threshold (US \$/kg)		9.79
Eligible incremental cost		138,039

15. The Executive Committee had approved in principle US \$158,000 for the third tranche. However, funding for the complete phase-out in the foam sector at the agreed cost of US \$138,039 are now being requested for inclusion in the third tranche, thereby increasing that tranche to US \$296,039, plus agency support costs for UNIDO. The business plan does not contain funds for this activity since UNIDO did not include it in their business plan submission.

Impact on the climate

16. Implementation of the foam project would avoid atmospheric emission of some 11,118 tonnes of CO₂-equivalent associated with the conversion of the HCFC-141b-based enterprises to water-blown technology (based only on the GWP values of the different blowing agents), as shown in Table 4.

Table 4 - Impact on the climate associated with the conversion in the foam sector

Substance	GWP	mt/year	CO ₂ eq. (tonnes/year)
Before conversion			
HCFC-141b	725	15.77	11,433
After conversion			
MF	20	15.77	315
Net impact			11,118

Progress reported and plans until 2015

17. The implementation of the second tranche has progressed according to an advanced plan. The activities show a holistic approach towards establishing and firming up good service practices, and reducing future dependence on HCFCs by effectively limiting import of refrigeration and air-conditioning equipment. The licensing systems for substances and products containing HCFC seem to work well.

18. The Secretariat noted that in 2011, as compared to the baseline, HCFC-22 consumption dropped by more than 50 per cent. The R&R has contributed substantially to the low consumption of the country. The Secretariat believes that the progress on the implementation is fully satisfactory, and that the plan appears to address very well the challenges in the country to meet the 2013, 2015 and 2020 compliance targets as well as the more ambitious targets in the Agreement.

Revision to the Agreement of the HPMP

19. Since the HPMP for the former Yugoslav Republic of Macedonia was approved prior to the establishment of the HCFC baseline for compliance, in approving the HPMP the Executive Committee requested the Secretariat to update the Agreement accordingly (decision 60/38). The Secretariat also updated the Agreement to reflect the recommended approval of a foam sector activity, both in terms of funding provided as well as in terms of reductions in remaining eligible consumption. A new paragraph has been added to the Agreement to indicate that the updated Agreement supersedes that reached at the 60th meeting. Annex I to this document provides a new draft Agreement for consideration of the Executive Committee.

RECOMMENDATION

20. The Executive Committee may wish to:

- (a) Note the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) in the former Yugoslav Republic of Macedonia;
- (b) Note that the established starting point for sustained aggregate reduction in HCFC consumption was 3.35 ODP tonnes, calculated using actual consumption of 4.0 ODP tonnes and 1.3 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, and the use of HCFC-141b of 0.65 ODP tonnes contained in

imported pre-blended polyols not reported under Article 7 in eligible enterprises;

- (c) Approve the revised Agreement between the Government of the former Yugoslav Republic of Macedonia and the Executive Committee as contained in Annex I to the present document, the revision consisting of:
 - (i) An update of the Agreement according to decision 60/38(e) to reflect the established baseline for compliance, and associated changes in paragraphs 1 and 2, Appendix 1-A and Appendix 2-A of the Agreement;
 - (ii) An amendment of the Agreement for the phase-out of the use of HCFC-141b in pre-blended polyols according to decision 60/38(g)(i) and associated changes in Appendix 2-A of the Agreement, reflecting the associated costs of US \$138,039 plus agency support costs of US \$10,353, the cost for this activity added in full to the pre-existing cost level of the third tranche resulting in a third tranche of US \$296,039 plus agency support costs of US \$22,203; and
 - (iii) A new paragraph 16 to indicate that the updated Agreement supersedes the Agreement reached at the 60th meeting; and
- (d) Approve the third tranche of stage I of the HPMP of the former Yugoslav Republic of Macedonia, and the corresponding annual implementation plan, at the amount of US \$296,039 plus agency support costs of US \$22,203 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of the former Yugoslav Republic of Macedonia 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 reduction to 1.17 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. 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 as the final reduction step under this agreement for all ODS 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 and 4.2.3.
3. Subject to compliance 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 3.1 of Appendix 2-A (the “Targets and 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 of the Substances as indicated in Appendix 2-A. It will also accept independent verification to be commissioned by the relevant implementing agency (IA) of achievement of these consumption limits as described in sub-paragraph 5(b) 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 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved when an obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
 - (c) That the Country has substantially completed all actions set out in the previous tranche implementation plan and submitted a tranche implementation report in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) for each previous calendar year; and

- (d) That the Country has submitted and received endorsement from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) for each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

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 Institutions and Roles”) 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 sub-paragraph 5(b).

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 have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations categorized as major changes must be documented in advance in the next tranche implementation plan and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved tranche implementation plan, under implementation at the time, and reported to the Executive Committee in the tranche implementation report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, in particular that the:

- (a) Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) Country and the implementing agencies will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

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 has agreed to be the lead implementing agency (the “Lead IA”) and in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of any of the IA taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A 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. At 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 tranche 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 reductions in consumption not achieved in any one year. The Executive Committee will discuss each

specific case in which the country did not comply with this agreement, and take related decisions. Once these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

12. 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.

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

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the plan and its subsequent revisions as per sub-paragraph 5(d), the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. 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 Montreal Protocol unless otherwise defined herein.

16. This updated Agreement supersedes the Agreement reached between the Government of the former Yugoslav Republic of Macedonia and the Executive Committee at the 60th meeting of the Executive Committee.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	1.8
HCFC-141b contained in imported pre-blended polyols			1.55
Total			3.35

APPENDIX 2-A: THE TARGETS, AND FUNDING

		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	2.70	2.70	2.43	2.43	2.43	2.43	2.43	1.76	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	1.80	1.80	1.62	1.53	1.44	1.35	1.26	1.17	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	15,000	107,000	296,039	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,168,039
2.2	Support costs for Lead IA (US \$)	1,125	8,025	22,203	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,603
3.1	Total agreed funding (US \$)	15,000	107,000	296,039	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,168,039
3.2	Total support cost	1,125	8,025	22,203	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,603
3.3	Total agreed costs (US \$)	16,125	115,025	318,242	159,100	88,150	88,150	88,150	140,825	80,625	80,625	80,625	1,255,642
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)												0.63
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)												1.17
4.2.1	Total phase-out of HCFC-141b contained in imported pre-blended polyol agreed to be achieved under this agreement (ODP tonnes)												1.55
4.2.2	Phase-out of HCFC-141b contained in imported pre-blended polyol to be achieved in previously approved projects (ODP tonnes)												0
4.2.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyol (ODP tonnes)												0

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORT AND PLAN

1. The submission of the Tranche Implementation Report and Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on the situation of the Country in regard to phase out of the substances, how the different activities contribute to it and how they relate to each other. The report should further highlight successes, experiences and challenges related to the different activities included in the plan, reflecting on changes in the circumstances in the country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;
 - (b) A verification report of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
 - (c) A written description of the activities to be undertaken in the next tranche, highlighting their interdependence and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the year specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
 - (d) A set of quantitative information for the report and plan, submitted online into a database, as per the relevant decisions of the Executive Committee in respect to the format required. This quantitative information, to be submitted by calendar year, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the country and agency; and
 - (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The NOU will submit annual progress reports of status of implementation of the HPMP to UNIDO.
2. Monitoring of development of HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to independent local company or to independent local consultants by UNIDO.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be 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) Assisting the Country in preparation of the tranche Implementation Plan and subsequent report as per Appendix 4-A;
 - (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the tranche Implementation Plan consistent with Appendix 4-A;
 - (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future tranche implementation plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
 - (e) Fulfilling the reporting requirements for the tranches and the overall plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee;
 - (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
 - (g) Carrying out required supervision missions;
 - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
 - (i) Ensuring that disbursements made to the Country are based on the use of the indicators; and
 - (j) Providing assistance with policy, management and technical support when required.
2. After consultation with the country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$50,000 per ODP tonne of reductions in consumption not achieved in the year.
