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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

PROJECT PROPOSAL: THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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

Phase-out

- HCFC phase-out management plan (stage I, eighth tranche)

UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

The former Yugoslav Republic of Macedonia

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNIDO (lead)	60 th	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2017	0 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2017	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.04				0.04

(IV) CONSUMPTION DATA (ODP tonnes)				
2009 - 2010 baseline:		1.8	Starting point for sustained aggregate reductions:	3.35
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)				
Already approved:		2.18	Remaining:	1.17

(V) BUSINESS PLAN		2018	2019	2020	Total
UNIDO	ODS phase-out (ODP tonnes)	0.24	0.14	0.14	0.52
	Funding (US \$)	140,825	80,625	80,625	302,075

(VI) PROJECT DATA		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits		n/a	n/a	n/a	1.80	1.80	1.62	1.62	1.62	1.62	1.62	1.17	n/a
Maximum allowable consumption (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
Agreed funding (US \$)	UNIDO Project costs	15,000	107,000	294,955	148,000	82,000	82,000	82,000	131,000	75,000	75,000	75,000	1,166,955
	Support costs	1,125	8,025	22,122	11,100	6,150	6,150	6,150	9,825	5,625	5,625	5,625	87,522
Funds approved by ExCom (US \$)	Project costs	15,000	107,000	294,955	148,000	82,000	82,000	0	82,000	0	0	0	810,955
	Support costs	1,125	8,025	22,122	11,100	6,150	6,150	0	6,150	0	0	0	60,822
Total funds requested for approval at this meeting (US \$)	Project costs	0	0	0	0	0	0			131,000*	0	0	131,000
	Support costs	0	0	0	0	0	0			9,825	0	0	9,825

*The eighth tranche should have been submitted in 2017

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of the former Yugoslav Republic of Macedonia, UNIDO as the designated implementing agency, has submitted a request for funding for the eighth tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$131,000, plus agency support costs of US \$9,825.¹ The submission includes a progress report on the implementation of the seventh tranche, the verification report on HCFC consumption for 2017, and the tranche implementation plan for 2019. Institutional strengthening (IS) is a component of stage I of the HPMP.

Report on HCFC consumption

2. The Government of the former Yugoslav Republic of Macedonia reported zero consumption of HCFC in 2017. The 2013-2017 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in the former Yugoslav Republic of Macedonia (2013-2017 Article 7 data)

HCFC	2013	2014	2015	2016	2017	Baseline
Metric tonnes						
HCFC-22	13.06	10.44	3.36	4.92	0.00	32.78
HCFC-141b in imported pre-blended polyols*	0	0	0	0	0	14.10**
ODP tonnes						
HCFC-22	0.72	0.57	0.18	0.27	0.00	1.80
HCFC-141b in imported pre-blended polyols*	0	0	0	0	0	1.55**

*Country programme (CP) data

**Average consumption between 2007 and 2009.

3. The decreases in HCFC consumption is due to a five per cent annual reduction on the import quota of HCFCs since 2013; and the activities conducted under the HPMP, namely regulations to minimize refrigerant emissions during servicing, training of technicians, recovery and recycling (R&R) of refrigerants, as well as the implementation of other activities in the refrigeration servicing sector. These activities were further supported by an environmental tax (US \$1.13/kg) on the import of HCFCs, and other regulatory measures that have been put in place.

4. While the import quota for 2017 was established at 1.35 ODP tonnes, there was no import of HCFCs in that year thus, zero consumption was reported since some stocks of HCFCs from previous imports were available and sufficient for the market.

Country programme (CP) implementation report

5. The Government of the former Yugoslav Republic of Macedonia reported HCFC consumption data under the 2017 CP implementation report of 698.5 kg (0.04 ODP tonne) of HCFC-22 which is not consistent with the data reported under Article 7 of the Montreal Protocol. The quantity reported under the CP was from stockpiles that were placed on the market only in 2017. The CP data on imports of HCFCs is consistent with that reported under Article 7.

Verification report

6. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the annual consumption of HCFC-22 in 2017 was zero. Although one company applied for a license to import HCFC-22 (i.e., 10 mt) in 2017, no actual import was made that year.

¹ As per the letter of 21 September 2018 from the Ministry of Environment and Physical Planning of the former Yugoslav Republic of Macedonia to UNIDO.

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

Legal framework

7. The Law on Environment which is the basis for the licensing system was amended to include specific provisions on types and categories of licenses for management of refrigerants and/or products containing refrigerants, procedures applied for R&R, equipment installation and servicing, and these are scheduled to be adopted by 2019. Amendments to the Law on Electrical and Electronic Equipment and Waste Electrical and Electronic Equipment Management (including refrigeration and air-conditioning (RAC) equipment) were drafted to include provisions for ODS waste management from those equipment.

Manufacturing sector

8. The enterprise Frigoteknika completed installation of its polyurethane (PU) foaming machine in July 2018 and started production immediately thereafter; training of personnel was conducted by the supplier. The conversion of three foam enterprises to methyl formate (Koper-Negotino, Zlatna Raka (completed prior to the sixth tranche) and Frigoteknika) has resulted in the phase-out of 1.73 ODP tonnes of HCFC-141b contained in imported pre-blended polyols. Since 2013, zero imports of HCFC-141b has been reported; the remaining enterprise (Sileks) was using stocks of HCFC-141b from previous years for its operations. However, a fire at Sileks destroyed the foam production facility, and it is unclear whether this production will be restarted in the future.

Refrigeration servicing sector

9. The following activities were implemented: three training workshops for 101 service technicians on leak inspections and recovery of refrigerants; and a workshop on good servicing practices in the handling of waste electrical equipment including RAC was conducted for 19 participants.

10. Monitoring of the R&R programme was carried out through visits to the 22 service shops that received R&R equipment; meetings were conducted to discuss the application of the R&R equipment and general management of the recovered refrigerants. The service shops/companies are also required to submit annual reports on quantities of recovered and recycled refrigerants to the National Ozone Unit (NOU).

11. The implementation of activities in the servicing sector is strengthened through institutional support to service technicians through a helpdesk. The helpdesk facilitated reporting on recovered and recycled quantities of refrigerant coming from service technicians and service shops, and provided clarification on the procedures for recording and labeling of equipment containing 3kg and more of refrigerants by companies/equipment owners as required by regulation. This ensured a more efficient implementation of the R&R scheme which reported that 67.2 per cent of the 36 mt recovered and recycled refrigerants (i.e., comprising HCFC-22, HFC-134a, R-404A, R-407C, and R-410A) in 2017 had been reused in the market.

Project implementation and monitoring unit (PMU) and IS

12. The NOU is involved in issuing permits for import/export of ODS, ODS alternative refrigerants and equipment containing refrigerants; it coordinates the work to harmonize its national legislation with European Union regulations. The NOU implemented a public awareness programme: conducted training for service technicians, environmental inspectors and equipment owners; and developed training and other information materials; and participated in regional and international workshops. It is also responsible for reporting CP and Article 7 data to the Multilateral Fund Secretariat and the Ozone Secretariat, respectively.

Level of fund disbursement

13. As of September 2018, of the US \$810,955 approved so far, US \$741,761 had been disbursed as shown in Table 2. The balance of US \$69,194 will be disbursed in 2018.

Table 2. Financial report of stage I of the HPMP for the former Yugoslav Republic of Macedonia (US \$)

Agency	First-sixth tranche		Seventh tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	728,955	714,161	82,000	27,600	810,955	741,761
Disbursement rate (%)	98		34		91	

Implementation plan for the eighth tranche of the HPMP

14. The following activities will be implemented between January and December 2019:
- (a) Completion of the conversion of the remaining foam enterprise after confirmation on production (funds from the previous tranche), and monitoring the progress of the foam sector conversion (US \$30,000);
 - (b) Training on good servicing practices for 30 service technicians including equipment control and leak check (equipment recording and labelling, distribution of logbooks and labels, on-site assistance for proper application of logbooks and labels (US \$21,000);
 - (c) Improving the electronic database for equipment containing three or more kilograms of refrigerant (US \$5,000); and
 - (d) Activities related to IS: finalization of legislation related to establishment of sustainable licensing system, control of import/export of refrigerants and equipment, monitoring of R&R scheme, awareness raising activities (US \$75,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Progress report on the implementation of the seventh tranche of the HPMP*Legal framework*

15. The Government of the former Yugoslav Republic of Macedonia has already issued HCFC import quotas for 2018 at 1.26 ODP tonnes, which is lower than the Montreal Protocol control targets.

Manufacturing sector

16. In clarifying the situation concerning the conversion in the remaining foam enterprise (Sileks), UNIDO explained that the fire which destroyed the facility happened in 2016, yet UNIDO was informed about it only in 2018 during a visit to the country. As of writing this document, no decision has been made on whether the enterprise will continue with its planned conversion or whether the funds will be returned; UNIDO is still consulting with the Government on a way forward.

17. The Secretariat advised UNIDO that if the enterprise had stopped production of PU foam, then the funding associated with it will have to be returned to the Multilateral Fund. Since all other beneficiaries under this umbrella project have completed conversions, and zero consumption of HCFC-141b has been

reported since 2013 this sector plan can be considered completed. UNIDO was requested to provide a report to the 83rd meeting on this.

18. The Secretariat noted that the financial report showed that more funds were used for one enterprise's conversion. In explaining this, UNIDO indicated that prices of the equipment had increased between the planning phase and implementation, therefore the country made adjustments to the funding, which they understood was possible under an umbrella project, where more flexibility was allowed to make changes in the overall approach. Some eligible equipment that were meant to be retrofitted were instead replaced because of age and utility. The IOC was used to fund these overruns in line with decision 20/6.

Conclusion

19. The former Yugoslav Republic of Macedonia continues to be in compliance with the Montreal Protocol and the HCFC consumption targets defined in its Agreement with the Executive Committee, in 2017, consumption of all HCFCs was zero, and there has been zero reported consumption of HCFC-141b since 2013. The implementation of the seventh tranche progressed well. The licensing and quota system is functioning. The R&R scheme is functioning successfully and has reported that 62.2 per cent of recycled material has been reused in the market, and this is expected to increase in the future. The conversion of three out of the four foam enterprises have been completed, and UNIDO will provide an update to the 83rd meeting on the conversion of the remaining enterprise. The level of disbursement of the seventh tranche is 34 per cent and the overall disbursement rate has reached 91 per cent. The activities so far implemented and those planned under the eighth tranche will continue to support the country meet its compliance obligations under the Protocol.

RECOMMENDATION

20. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the seventh tranche of stage I of the HCFC phase-out management plan of (HPMP) for the former Yugoslav Republic of Macedonia; and further recommends blanket approval of the eighth tranche of stage I of the HPMP for the former Yugoslav Republic of Macedonia, and the corresponding 2019 tranche implementation plan, at the funding level shown in the table below, on the understanding that an update on the conversion of the foam enterprise Sileks be provided to the 83rd meeting under reports on projects with specific reporting requirements:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, eighth tranche)	131,000	9,825	UNIDO