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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fiftieth Meeting
New Delhi, 6-10 November 2006

Addendum

PROJECT PROPOSAL: SERBIA

This document is issued to:

- **Add** the following paragraphs on page 5 in the comments' section:

17(bis) Subsequent to the dispatch of documents, the Secretariat has been able to conclude its discussion with UNIDO on the issues raised in its initial comments on the National CFC Phase-out Plan for Serbia (third tranche) as presented in document UNEP/OzL.Pro/ExCom/50/47.

17 (ter) With regard to the new entity, the Republic of Montenegro, UNIDO has been advised that, as long as Montenegro is not party to the Montreal Protocol, the Multilateral Fund can not extend its support to the country. Therefore the Secretariat is not in a position to recommend to the Committee to accept the generous offer from Serbia to implement activities in a manner that allows beneficiaries from Montenegro to participate, without additional costs to the Multilateral Fund. UNIDO provided a calculation of the costs within the National CFC Phase-out Plan that would be clearly associated with implementation activities for Montenegro, which would be US \$12,271; the cost for a number of common activities can not be meaningfully subdivided. UNIDO informed the Secretariat that there is no mandate from the Government of Serbia to discuss the content of the existing agreement beyond the change in implementing agencies.

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

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.

17 (qua) The verification showed that the 2005 consumption of the former Serbia and Montenegro was 52.6 ODP tonnes, clearly below the consumption target of 392 ODP tonnes for the same year. The Montreal Protocol CFC consumption limit for 2007 for Serbia and Montenegro was 127.38 ODP tonnes based on the baseline consumption of 849.21 ODP tonnes. Serbia might change its baseline, but has so far not provided any indication that it will do so. The verification report indicates that the consumption for Montenegro is 1.119 ODP tonnes for 2005, relatively small as compared to Serbia's consumption. The Agreement foresees for 2007 a maximum consumption of 125 ODP tonnes. The actual consumption of Serbia in 2005 was 51.079 ODP tonnes, 40.9 per cent of the 2007 target provided in the agreement, and 40.1% of the 2007 Montreal Protocol limit. Even a potential change in baseline is not likely to lead to a consumption above a possibly revised Montreal Protocol limit for Serbia.

17 (quin) According to information provided by UNIDO, the PMU has been established and partially staffed. The separation between PMU and NOU seems to be sufficient to ensure that double funding is avoided. Therefore Serbia has fulfilled the conditions set by the 47th Meeting of the Executive Committee related to the need to establish a PMU before the submission of this third tranche.

17 (sex) UNIDO has provided a new draft agreement between Serbia and the Executive Committee. The draft closely resembles the agreement currently in place, and addresses the request that Sweden discontinues operating as a co-implementing agency as of this Meeting. The balance of remaining funds will be returned by Sweden as cash contributions to the Fund, to enable the Treasurer to transfer the funds to UNIDO (see also paragraph 21 (c) (vii) of document UNEP/OzL.Pro/ExCom/50/12). In order to facilitate a decision towards a possible change of funding, the Secretariat has placed in square brackets a reduction of US \$12,271, as indicated in paragraph 17(ter) above, from the last tranche of the plan. UNIDO has been advised to discuss with the Government of Serbia the possibility to obtain a mandate to revise the agreement and to inform the Executive Committee accordingly during the meeting. Depending on the outcome of the discussion, the funding figures in the project evaluation sheet in document UNEP/OzL.Pro/ExCom/50/47 might be adjusted.

- **Replace** paragraph 18, on page 5, in the recommendation section **with** the following:

18. On the basis of the above comments, the Executive Committee may wish to consider:

- (a) approving the revised agreement for the National CFC Phase-out Plan for Serbia based on:
 - (i) The attached draft;
 - (ii) The option indicated in the Secretariat's comments above; and
 - (iii) Any additional information provided to the meeting by UNIDO;
- (b) approving the third tranche for the National CFC Phase-out Plan for Serbia at the amount indicated below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
	National CFC phase-out plan (third tranche)	1,033,344	80,630	UNIDO

- **Add** the draft Agreement between Serbia and the Executive Committee (Annex I).

Annex I

**DRAFT AGREEMENT BETWEEN SERBIA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE NATIONAL PHASE-OUT OF ANNEX A (GROUP I) SUBSTANCES**

1. This Agreement represents the understanding of Serbia (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. This replaces the Agreement between Serbia and Montenegro and the Executive Committee of the Multilateral Fund for the national phase-out of Annex A (Group I) substances.
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 Targets, and Funding”) 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 N° 9 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 (“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;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
 - (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 (“Format for 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 (“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 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 subparagraph 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; and
- (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 has agreed to be the lead implementing agency (“Lead IA”) and Sweden (“Co-operating IA”) had 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. From the 50th Meeting of the Executive Committee onwards, based on a request by the Government of Serbia, Sweden, and UNIDO, Sweden discontinues its role of co-operating agency, its tasks being taken over by UNIDO. 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 was 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 rows N° 6 and N° 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 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	Total
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	0
3. New reduction under plan (ODP tonnes)	2	18	124	143	40	327
4. Total annual reduction (ODP tonnes)	2	18	124	143	40	327
5. Lead IA agreed funding (US \$)	562,700	893,000	1,033,344	123,500	70,000 [57,729]	2,682,544 [2,670,273]
6. Lead IA support costs (US \$)	45,016	71,440	80,630	9,263	5,250 [4,618]	211,599 [210,967]
7. Co-operating IA agreed funding (US\$)	60,000	0	0	0	0	60,000
8. Co-operating IA support costs (US\$)	7,800	0	0	0	0	7,800
9. Total agreed funding (US \$)	622,700	893,000	1,033,344	123,500	70,000 [57,729]	2,742,544 [2,730,273]
10. Total agency support costs (US \$)	54,843	74,345	80,683	9,263	5,250 [4,618]	224,384 [218,767]
11. Total agreed grant for tranche (US\$)	677,543	967,345	1,114,027	132,763	75,250 [62,347]	2,966,928 [2,949,040]

APPENDIX 3-A FUNDING APPROVAL SCHEDULE

1. Funding will be considered for approval at the last meeting of the year of the annual implementation plan.

APPENDIX 4- FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

1. This format is proposed for use by the Article 5 country to prepare the annual implementation programme for the implementation of performance-based ODS phase-out plans; however, it should be modified to suit the specific needs of each plan.

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(ies)	

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
Type of Policy Control on ODS Import: servicing, etc	
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.
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) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B ROLE OF THE CO-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 N° 7 and N° 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.

2. Subsequently, Sweden decided to withdraw from being a Co-operating Implementing Agency. This withdrawal is effective with the approval of this agreement at the 50th Meeting of the Executive Committee. This concerns a number of activities foreseen for the first tranche and all activities for subsequent tranches. The funding information provided in Appendix 2-A of this agreement represents for both UNIDO and Sweden the status reached with conclusion of this amended agreement. UNIDO has agreed to be an implementing agency for all activities not already implemented by Sweden, and to take over all responsibilities under this Agreement. The balance of remaining funds will be returned by Sweden as cash contributions to the Fund to enable the Treasurer to transfer the funds to UNIDO.

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 reductions in consumption not achieved in the year.
