



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/87/31  
14 June 2021

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-seventh Meeting  
Montreal, 28 June-2 July 2021<sup>1</sup>

**PROJECT PROPOSAL: LESOTHO**

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

Phase-out

- HCFC phase-out management plan (stage II, first tranche) Germany

<sup>1</sup> Online meetings and an intersessional approval process will be held in June and July 2021 due to coronavirus disease (COVID-19)

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

## LESOTHO

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase-out plan (stage II)	Germany

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2020	0.46 (ODP tonnes)
---	------------	-------------------

<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2020</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.46				0.46

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	3.50	Starting point for sustained aggregate reductions:	1.54
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.54	Remaining:	1.00

<b>(V) BUSINESS PLAN</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Germany	ODS phase-out (ODP tonnes)	0	0	0	0
	Funding (US \$)	193,230	0	0	193,230

<b>(VI) PROJECT DATA</b>			<b>2021</b>	<b>2022-2023</b>	<b>2024</b>	<b>2025-2026</b>	<b>2027</b>	<b>2028-2029</b>	<b>2030</b>	<b>Total</b>
Montreal Protocol consumption limits			2.28	2.28	2.28	1.14	1.14	1.14	0.00	n/a
Maximum allowable consumption (ODP tonnes)			1.00	1.00	1.00	0.50	0.50	0.50	0.00	n/a
Projects costs requested in principle (US \$)	Germany	Project costs	168,900	0	162,400	0	91,200	0	47,500	470,000
		Support costs	21,957	0	21,112	0	11,856	0	6,175	61,100
Total project costs requested in principle (US \$)			168,900	0	162,400	0	91,200	0	47,500	470,000
Total support costs requested in principle (US \$)			21,957	0	21,112	0	11,856	0	6,175	61,100
Total funds requested in principle (US \$)			190,857	0	183,512	0	103,056	0	53,675	531,100

<b>(VII) Request for approval of funding for the first tranche (2021)</b>		
<b>Agency</b>	<b>Funds requested (US \$)</b>	<b>Support costs (US \$)</b>
Germany	168,900	21,957

<b>Secretariat's recommendation:</b>	Individual consideration
--------------------------------------	--------------------------

## PROJECT DESCRIPTION

### Background

1. On behalf of the Government of Lesotho, the Government of Germany as the designated implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at the amount of US \$470,000, plus agency support costs of US \$61,100, as originally submitted.<sup>2</sup> The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.
2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US \$184,900, plus agency support costs of US \$24,037 for the Government of Germany, as originally submitted.

### Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for Lesotho was originally approved at the 64<sup>th</sup> meeting,<sup>3</sup> updated at the 73<sup>rd</sup> meeting<sup>4</sup> and revised at the 80<sup>th</sup> meeting,<sup>5</sup> to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US \$280,000, plus agency support costs to phase out 0.54 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. The fourth and final tranche of stage I was approved under the intersessional approval process for the 85<sup>th</sup> meeting in May 2020; stage I will be completed by December 2021.

### HCFC consumption

4. The Government of Lesotho reported a consumption of 0.46 ODP tonnes of HCFC in 2020, which is 87 per cent below the HCFC baseline for compliance. The 2016-2020 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in Lesotho (2016-2020 Article 7 data)**

HCFC	2016	2017	2018	2019	2020	Baseline
<b>Metric tonnes</b>						
HCFC-22	12.77	12.69	11.45	10.27	8.34	62.70
HCFC-142b*	0.07	0.08	0.01	0.00	0.00	0.00
<b>Total (mt)</b>	<b>12.84</b>	<b>12.77</b>	<b>11.46</b>	<b>10.27</b>	<b>8.34</b>	<b>62.70</b>
<b>ODP tonnes</b>						
HCFC-22	0.71	0.70	0.63	0.56	0.46	3.50
HCFC-142b*	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total (ODP tonnes)</b>	<b>0.71</b>	<b>0.70</b>	<b>0.63</b>	<b>0.56</b>	<b>0.46</b>	<b>3.50</b>

\* A component of R-406A, a refrigerant blend used in cold rooms.

5. The reduction of HCFC consumption is related to a combination of the enforcement of the HCFC import licensing and quota system and implementation of the HPMP activities, including training programmes for technicians and technical assistance provided to the RAC servicing sector, and public awareness and outreach activities. An increase in the imports of HFC-based equipment has also contributed to the reduction of HCFC consumption. In addition, Lesotho imports zero-global-warming potential (GWP) new equipment from South Africa (i.e., R-600a-based domestic refrigerators and display cabinets based on R-600a and R-290).

<sup>2</sup> As per the letter of 8 March 2021 from Meteorological Services of Lesotho to the Secretariat.

<sup>3</sup> UNEP/OzL.Pro/ExCom/64/53.

<sup>4</sup> Annex XII of document UNEP/OzL.Pro/ExCom/73/62.

<sup>5</sup> Annex XXV of document UNEP/OzL.Pro/ExCom/80/59. At the 80<sup>th</sup> meeting, the starting point was revised from 3.50 ODP tonnes to 1.54 ODP tonnes. The funding level associated with stage I should be US \$210,000; the funding adjustment would be made in stage II of the HPMP.

*Country programme (CP) implementation report*

6. The Government of Lesotho reported HCFC sector consumption data under the 2020 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

Status of progress and disbursement

*Legal framework*

7. The Government of Lesotho continues to enforce the 2012 ODS regulations to control the import and export of ODS. The national ozone unit (NOU) works closely with customs authorities on implementing the licensing and quota system for HCFCs. The HCFC-based equipment is controlled through a system of import authorizations. The regulations also specify applicable penalties for various acts of non-compliance with the ODS regulations in the form of fines, withdrawal/cancellation of business license, and prosecution leading to fines or imprisonment. The Government of Lesotho ratified the Kigali Amendment on 7 October 2019.

*Refrigeration servicing sector*

8. The main activities that had been carried out include:

- (a) Twelve customs training programmes for 237 customs officers and customs clearing agents (87 per cent of them are women) on controls and monitoring of HCFCs, including new developments in rules and monitoring relating to illegal trade of controlled substances; and distribution of eight refrigerant identifiers;
- (b) Five trainers attended certified refrigeration courses, including electrical components of RAC equipment and safe handling of refrigerants in South Africa; three RAC training institutions were provided with a total of six sets of equipment (e.g., two-stage vacuum pump, recovery machine, electronic leak detector, manifold gauges, hydrocarbon-based refrigeration units (R-600a domestic refrigerators and R-290 commercial refrigeration equipment), CO<sub>2</sub>-based beverage cooler including tools for handling CO<sub>2</sub>); 263 technicians (5 per cent of them are women) were trained on good RAC service practices and safe handling of alternative refrigerants; and, 10 trainers were trained, locally, on the handling of CO<sub>2</sub> in beverage coolers; and
- (c) Public awareness campaigns, media awards for national journalists for continuously reporting issues on ozone layer, and a stakeholder workshop held to increase awareness of ozone depletion and the impact of ultraviolet radiation. More than 2,000 people from the general public received information.

Level of fund disbursement

9. As of January 2021, of the US \$280,000 approved for stage I of the HPMP, US \$261,860 had been disbursed. The balance of US \$18,140 will be disbursed in 2021.

**Stage II of the HPMP**

Remaining consumption eligible for funding

10. After deducting 0.54 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding for complete phase-out in stage II amounts to 1.00 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

11. There are approximately 1,000 technicians (473 registered) and 132 registered workshops consuming HCFC-22 to service single splits, larger variable refrigerant volume and packaged air-conditioning (AC) systems, display cabinets, condensing rooms and cold rooms as shown in Table 2. HCFC-22 represents 31.6 per cent, HFC-134a (22.1 per cent), R-410A (18.3 per cent), R-404A (13.3 per cent), and other refrigerants (14.7 per cent). Single splits AC is the predominant equipment using HCFCs; multi splits and variable refrigerant volume AC systems are fewer in the country but are expected to slowly gain popularity. Cold rooms and display cabinets used for food storage, are the predominant HCFC-based commercial refrigeration equipment.

**Table 2. Estimation of demand for HCFC-22 in the RAC servicing sector in Lesotho**

Sector/Application		Number of units	HCFC bank (mt)	Leakage rate (%)	Annual consumption (mt)	% annual consumption
AC (unitary and split systems)	Households	12,000	12,000	3	300	2
	Offices, hotels, restaurants	52,000	52,000	8	4,100	38
	<b>Sub-total</b>	<b>64,000</b>	<b>64,000</b>		<b>4,400</b>	
Commercial refrigeration	Cold rooms	3,000	15,000	20	3,000	28
	Stand-alone equipment	1,500	1,500	40	600	5
	<b>Sub-total</b>	<b>4,500</b>	<b>16,500</b>		<b>3,600</b>	
Chillers (AC and industry)		5	250	40	100	1
AC and heat pumps (multi-splits)		2,500	17,500	16	2,800	26
<b>Total</b>		<b>71,005</b>	<b>98,250</b>		<b>10,900</b>	<b>100</b>

Phase-out strategy in stage II of the HPMP

12. Stage II of the HPMP aims to achieve 71 per cent reduction from the HCFC baseline consumption by 2021, 86 per cent by 2025 and 100 per cent by 2030. Stage II has been designed based on the experience gained during the implementation of the previous stage and will focus on strengthening the HCFC licensing and quota system, promoting the transition to low-GWP technologies in the RAC sector. The main components are enforcement of the ODS regulations, training of RAC technicians on the safe use of new technologies, providing equipment to training institutes, establishing a certification scheme for technicians, implementing a recovery and recycling (R&R) scheme, retrofit/replacement incentive, and public awareness outreach on alternative technologies.

Proposed activities in stage II of the HPMP

13. Stage II proposes the following activities:

- (a) Enforcement of ODS regulations: Training of 200 customs officers on identification and control of ODS and RAC equipment, purchase of four refrigerant identifiers, technical assistance for training the trainers on detection of ODS illegal trade (US \$61,000);
- (b) Assistance to RAC servicing sector: Four trainers to be certified on good refrigeration practices and safe handling of flammable refrigerants in South Africa, training of 360 RAC technicians on best refrigeration practices and safe handling of flammable refrigerants; purchase of training equipment<sup>6</sup> for four institutions; adoption of standards on the operation

<sup>6</sup> Vacuum pumps and gauges, digital manifold gauges, digital scales, multimeters, leak detectors, complete brazing kits, nitrogen cylinders and regulators are some of the items requested by the institutions.

of RAC equipment based on flammable refrigerants; upgrading of the RAC training curriculum<sup>7</sup> according to the certification scheme; conducting information campaigns to encourage technicians to register with the Lesotho RAC Association; establishing a mandatory certification scheme for RAC technician by 31 December 2023; identifying a mechanism to certify unskilled technicians based on their knowledge and experience in order to obtain their license and enabling the initial certification of 100 RAC technicians; and hiring technical experts to support the development of the certification scheme and upgrade the RAC training curriculum (US \$250,000);

- (c) R&R scheme: hiring technical experts for providing support in developing the R&R scheme; enforcing the mandatory registration and proper recordkeeping of imports of RAC equipment, and recording and reporting the amounts of refrigerants recovered; organizing one workshop for 30 participants to discuss the implementation modalities of the R&R scheme; delivering 10 portable recovery units, 20 recovery cylinders, and one unit of recycling equipment (US \$36,000);
- (d) Incentive scheme: One stakeholder workshop to develop the criteria for provision of cash incentive for end-users to encourage uptake of low-GWP technology; designing and implementing the incentive scheme at 50 installations, (where feasible and possible, to replace or retrofit/drop-in<sup>8</sup> equipment, with preference for replacement); hiring a technical expert to advice on the implementation of the scheme (US \$58,000); and
- (e) Public awareness-raising activities on the phase-out of HCFCs, licensing requirements, new environment and climate-friendly technologies and equipment available on the market, through advertisement on local media and awareness workshops for main stakeholders (US \$15,000).

#### *Project implementation and monitoring*

14. The system established under stage I of the HPMP will continue into stage II, where the NOU will monitor activities, report progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US 50,000 for stage II.

#### *Gender policy implementation<sup>9</sup>*

15. In line with decision 84/92(d), the Government of Lesotho will encourage the full engagement of women in various activities to be implemented under stage II. The NOU will support the collection of gender-disaggregated data, engage stakeholders in considering gender issues, and seek their input to identify barriers, define specific indicators, and design effective responses, and target indicators will be established.

#### Total cost of stage II of the HPMP

16. The total cost of stage II of the HPMP for Lesotho has been estimated at US \$470,000 (plus agency support costs), as originally submitted for achieving the complete phase-out of HCFC consumption, in accordance with decision 74/50(c)(xii) taking into account the funding adjustment of stage I. The

---

<sup>7</sup> Once the curriculum is adopted by vocational schools, the future RAC technicians will be graduating with appropriate skills, know-how and certified.

<sup>8</sup> The project proposal indicated that the country is fully aware that retrofitting or drop-ins with hydrocarbons or other natural refrigerants is not recommended or encouraged and that all responsibility and liability will lie with the country.

<sup>9</sup> Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Government commits to reduce by 71 per cent its HCFC baseline consumption by 2021, 86 per cent by 2025 and a 100 per cent by 2030.

Activities planned for the first tranche of stage II

17. The first funding tranche of stage II of the HPMP, at the amount of US \$184,900, will be implemented between September 2021 and December 2024 and will include the following activities:

- (a) Enforcement of ODS regulations: training of 80 customs officers, purchase of one ODS identifier, and implementing technical assistance activities for training the trainers on detection of ODS illegal trade (US \$22,900);
- (b) Assistance to RAC servicing industry: train two trainers to be certified in good refrigeration practices and safe handling of refrigerants in South Africa; technical training of 150 technicians; purchase training equipment for four training institutions; adopting standards on the operation of RAC equipment based on flammable refrigerants; upgrading the RAC training curriculum to standardize the education according to the certification scheme; conducting information campaigns to encourage the technicians to register with the Lesotho RAC association; establishing a mandatory certification scheme for RAC technicians by 31 December 2023; identifying a mechanism to certify unskilled technicians based on their knowledge and experience in order to obtain their license and enabling the initial certification of 40 RAC technicians and hiring technical experts to support the development of the certification scheme and upgrade the RAC training curriculum (US \$117,000);
- (c) R&R scheme: hiring an expert to provide technical support in the developing the R&R scheme; enforcing the mandatory registration and proper recordkeeping of imports of RAC equipment, and declaration of refrigerants recovered; organizing a workshop for 30 participants to discuss the implementation modalities of the R&R scheme, delivering five recovery units, 10 recovery cylinders and one unit of recycling equipment (US \$26,000);
- (d) Public awareness and outreach on the phase-out of HCFCs, licensing requirements, new environment and climate-friendly technologies and equipment available on the market, through advertisement on local media and awareness workshops for main stakeholders (US \$4,000); and
- (e) Project monitoring and support (US \$10,000 for monitoring activities, coordinating efforts, and possibly hiring support; and US \$5,000 for travel).

**SECRETARIAT'S COMMENTS AND RECOMMENDATION**

**COMMENTS**

18. The Secretariat reviewed stage II of the HPMP in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2021-2023 business plan of the Multilateral Fund.

### Overarching strategy

19. The Government of Lesotho proposes meeting the 100 per cent reduction of its HCFC baseline consumption by 2030 and maintaining a maximum annual consumption of HCFC from 2030 to 2040 consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.<sup>10</sup> The Government further commits to continue establishing strict criteria within its licensing system to monitor the levels of import and the uses of HCFC during that period to ensure that they are limited to the conditions set by the Montreal Protocol.

20. In line with decision 86/51, on this matter, to allow for consideration of the final tranche of stage II of the HPMP, the Government of Lesotho agreed to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption will comply with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the 2030-2040 period, and the expected annual HCFC consumption in Lesotho for the 2030-2040 period.

### Regulations to support HCFC phase-out

21. Currently, the Government is issuing fewer individual import permits for HCFC-based equipment to limit the import of such equipment. The Secretariat discussed with the Government of Germany the possibility that the Government of Lesotho bans the import of RAC equipment. In response, it was indicated that authorizing the equipment imports on a case-by-case basis was the selected approach. The Secretariat suggested the possibility of prohibiting at least the second-hand equipment given that the old equipment requires servicing more frequently. The Government of Germany said it would discuss this with the Government of Lesotho. As of the writing of this document, the response is still pending.

### Technical and cost related issues

22. The Secretariat suggested that the Government of Germany assists the country in developing a business model on the refrigerant R&R scheme for demonstrating its technical feasibility in terms of the amounts of HCFCs to be recovered and reused, its financial viability, and modalities for operating such scheme; and to submit the request for the R&R scheme under a future tranche, once its feasibility and sustainability have been demonstrated. In case the R&R scheme would not be viable, other phase-out activities would be proposed. Subsequently, the Government accepted this approach; the corresponding budget for the R&R equipment (i.e., US \$16,000) was moved from the first to the second tranche, and the remaining US \$10,000 will be used for the development of the R&R scheme, enforcing the mandatory registration and record keeping of imports of RAC equipment and recording/reporting refrigerants recovered, and organizing one workshop to discuss the implementation modalities of the R&R scheme.

23. HCFC alternatives (mainly based on HFC refrigerants) have entered the Lesotho market, and their import/consumption has gradually increased over the years. Although the prices of HFC refrigerants are still higher than HCFC-22, the market has been quickly shifting due to the availability of new HFC-based and HC-based RAC equipment from South Africa. However, some owners of HCFC-based equipment might challenge the replacement of all their functional equipment. The incentive scheme proposed under stage II is aimed to support the owners of those equipment to adopt low-GWP alternative equipment.

---

<sup>10</sup> HCFC consumption may exceed zero in any year so long as the sum of its calculated levels of consumption over the ten-year period from 1 January 2030 to 1 January 2040 divided by 10, does not exceed 2.5 per cent of the HCFC baseline, and provided that such consumption is restricted to the servicing of RAC equipment existing on 1 January 2030. Other applications where HCFCs can be used include the servicing of fire suppression and fire protection equipment existing on 1 January 2030; solvent applications in rocket-engine manufacturing; and topical medical aerosol applications for the specialized treatment of burns.



24. Concerning the incentive scheme to retrofit/replace HCFC-based equipment with low-GWP alternatives and technical assistance to end-users, the Secretariat asked for information on the enabling conditions (including market and regulatory framework), ensuring a sustained replacement of HCFC technology by a low-GWP technology. The Secretariat also recalled decisions 72/41, 72/17, and 73/34. In response, the Government of Germany informed that the adoption of safety standards allowing RAC equipment to operate based on flammable refrigerants is expected by December 2022. The Government of Germany explained that HFC-134a is the second most used refrigerant; given that low-GWP technologies are not available locally except in small refrigeration systems (domestic and stand-alone commercial equipment), the incentive scheme is to demonstrate options for replacing or retrofitting cold rooms/condensing units and display cabinets. The Secretariat advised that when submitting the second tranche, detailed information would be required on the planned retrofit/replacement incentive scheme in full compliance with all the requirements of decision 84/84.

#### Total project cost

25. The total cost for stage II of the HPMP amounts to US \$470,000, based on decision 74/50(c)(xii) (i.e., US \$750,000 for the total phase-out minus US \$280,000 that had been approved for the 35 per cent reduction in 2020).

26. The Secretariat also discussed with the Government of Germany the proposed tranche distribution for stage II noting the importance of ensuring a balanced distribution according to the needs of the country. Based on these consultations, a revised tranche distribution was agreed, as shown in Table 3.

**Table 3. Revised funding tranche distribution for stage II of the HPMP for Lesotho**

Funding (US \$)	2021	2022-2023	2024	2025-2026	2027	2028-2029	2030
As submitted	184,900	0	146,400	0	91,200	0	47,500
Revised	168,900	0	162,400	0	91,200	0	47,500

27. The change of funding for the first tranche was agreed for the R&R scheme, which resulted as follows: assessing the current R&R activities, hiring technical experts for providing support in the developing of the R&R scheme, enforcing the mandatory registration and proper record keeping of imports of RAC equipment and declaration of refrigerants recovered, organizing one workshop to discuss the implementation modalities of the R&R scheme, and developing the business model to be submitted together with the second tranche (US \$10,000).

#### Impact on the climate

28. The proposed activities in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO<sub>2</sub>-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Lesotho, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reuse, and certification of technicians indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

#### **Co-financing**

29. The Government of Lesotho will continue providing in-kind support and through endeavours such as the provision of staff, venues, and logistical support. Furthermore, the Government expects contributions towards co-financing from private enterprises participating in the incentive scheme to retrofit/replace their HCFC-based equipment with low-GWP alternatives.

## **2021-2023 draft business plan of the Multilateral Fund**

30. The Government of Germany is requesting US \$470,000, plus agency support costs, for the implementation of stage II of the HPMP for Lesotho. The total requested value of US \$190,857, including agency support costs for the period of 2021–2023, is US \$2,373 below the amount in the business plan.

### **Draft Agreement**

31. A draft Agreement between the Government of Lesotho and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

### **RECOMMENDATION**

32. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Lesotho for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$470,000, plus agency support costs of US \$61,100 for the Government of Germany, on the understanding that no more funding from the Multilateral Fund would be provided for the phase-out of HCFCs;
- (b) Noting the commitments of the Government of Lesotho:
  - (i) To achieve 71 per cent reduction from the HCFC baseline consumption by 2021, 86 per cent by 2025 and phase out HCFCs completely by 1 January 2030 and only authorize the import of HCFCs for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;
  - (ii) To adopt safety standards for flammable refrigerants by 31 December 2022;
  - (iii) To establish a mandatory certification of technicians by 31 December 2023.
- (c) Deducting 1.00 ODP tonne of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Lesotho and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex I to the present document;
- (e) That, to allow for consideration of the final tranche of its HPMP, the Government of Lesotho should submit:
  - (i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040;
  - (ii) The expected annual HCFC consumption in Lesotho for the period 2030-2040; and
- (f) Approving the first tranche of stage II of the HPMP for Lesotho, and the corresponding tranche implementation plan, in the amount of US \$168,900, plus agency support costs of US \$21,957 for the Government of Germany.

## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF LESOTHO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN**

#### **Purpose**

1. This Agreement represents the understanding of the Government of Lesotho (the “Country”) 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 level of zero ODP tonnes by 1 January 2030, in compliance with Montreal Protocol schedule.
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 for all Substances mentioned in Appendix 1-A. 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 that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).
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 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 agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

#### **Conditions for funding release**

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
  - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
  - (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering 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.

### **Monitoring**

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 implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

### **Flexibility in the reallocation of funds**

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
  - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
  - (ii) Changes which would modify any clause of this Agreement;
  - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;
  - (iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche; and
  - (v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;
- (b) 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 subsequent Tranche Implementation Report; and

- (c) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

### **Considerations for the refrigeration servicing sector**

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

### **Bilateral and implementing agencies**

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. The Government of Germany has agreed to be the lead implementing agency (the “Lead IA”) 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 the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

### **Non-compliance with the Agreement**

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 amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg 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 decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions 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 the information necessary to verify compliance with this Agreement.

### Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

### Validity

15. All of the conditions 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 Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

## APPENDICES

### APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	1.54

### APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2021	2022-2023	2024	2025-2026	2027	2028-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	2.28	2.28	2.28	1.14	1.14	1.14	0.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	1.00	1.00	1.00	0.50	0.50	0.50	0.00	n/a
2.1	Lead IA (Germany) agreed funding (US \$)	168,900	0	162,400	0	91,200	0	47,500	470,000
2.2	Support costs for Lead IA (US \$)	21,957	0	21,112	0	11,856	0	6,175	61,100
3.1	Total agreed funding (US \$)	168,900	0	162,400	0	91,200	0	47,500	470,000
3.2	Total support costs (US \$)	21,957	0	21,112	0	11,856	0	6,175	61,100
3.3	Total agreed costs (US \$)	190,857	0	183,512	0	103,056	0	53,675	531,100

Row	Particulars	2021	2022-2023	2024	2025-2026	2027	2028-2029	2030	Total
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								1.00
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)								0.54
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0.00

\*Date of completion of stage I as per stage I Agreement: 31 December 2021.

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first meeting of the year specified in Appendix 2-A.

### APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five parts:

- (a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting 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 include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), 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;
- (b) An independent verification report of the Plan results and the consumption of the Substances, 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 during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

- (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub paragraphs 1(a) to 1(d).
2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:
- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
  - (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

#### **APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. The monitoring of the project activities and its compliance obligations will be carried out jointly by the national ozone unit (NOU) of the Country and the Lead IA as was the case under stage I. The NOU takes the responsibility of monitoring the activity implementation on the ground. The NOU is also tasked with ensuring that there is regular and continuous dialogue with the stakeholders to ensure that the activities are being conducted in line with the needs of the specific stakeholders expected to benefit from the activity and ensuring that the phase-out obligations can therefore be met.

#### **APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

1. The Lead IA will be responsible for a range of activities, including at least the following:
- (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 HPMP;
  - (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
  - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche 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 Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee;
  - (f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HCFC consumption targets had been met;
  - (g) Ensuring that appropriate independent technical experts carry out the technical reviews;



- (h) Carrying out required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country, the allocation of the reductions to the different budget items and to the funding of the Lead IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (l) Providing assistance with policy, management and technical support when required; and
- (m) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity 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 \$180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.