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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-third Meeting
Geneva, 5-9 July 2004

PROJECT PROPOSALS: SRI LANKA

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposals:

Phase-out plan

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| • National compliance action plan: incentive programme for commercial and industrial refrigeration end-users | Japan |
| • National compliance action plan: recovery/recycling | Japan |
| • National compliance action plan: MAC recovery/recycling and retrofit | Japan |
| • National compliance action plan: monitoring | Japan |
| • National compliance action plan: enhancement of national capacity to monitor trade and prevent illegal trade of ODS | UNEP |
| • National compliance action plan: extension training of the established refrigeration technicians | UNEP |
| • National compliance action plan: halon bank management | UNEP |

PROJECT EVALUATION SHEET SRI LANKA

SECTOR: Phase-out plan ODS use in sector (2003): 178.1 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Titles:

- (a) National compliance action plan: incentive programme for commercial and industrial refrigeration end-users
- (b) National compliance action plan: recovery/recycling
- (c) National compliance action plan: MAC recovery/recycling and retrofit
- (d) National compliance action plan: monitoring
- (e) National compliance action plan: enhancement of national capacity to monitor trade and prevent illegal trade of ODS
- (f) National compliance action plan: extension training of the established refrigeration technicians
- (g) National compliance action plan: halon banking management

Project Data	National compliance action plan						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Enterprise consumption (ODP tonnes)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Project impact (ODP tonnes)*							
Project duration (months)	18	30	18	66	66	42	66
Initial amount requested (US \$)	144,000	290,400	123,000	108,000	102,000	548,000	40,000
Final project cost (US \$):	144,000	290,400	123,000	108,000	135,000	174,600	40,000
Incremental capital cost (a)							
Contingency cost (b)							
Incremental operating cost (c)							
Total project cost (a+b+c)	144,000	290,400	123,000	108,000	135,000	174,600	40,000
Local ownership (%)							
Export component (%)							
Amount requested (US \$)	144,000	290,400	123,000	108,000	135,000	174,600	40,000
Cost effectiveness (US \$/kg.)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Counterpart funding confirmed?	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National coordinating agency	Montreal Protocol Unit, Ministry of Environment and Natural Resources						
Implementing agency	Japan				UNEP		

<i>Secretariat's Recommendations</i>							
Amount recommended (US \$)	144,000	290,400	123,000	108,000	135,000	174,600	40,000
Project impact (ODP tonnes)							
Cost effectiveness (US \$/kg)							
Implementing agency support cost (US \$)	18,720	37,752	15,990	14,040	17,550	22,698	5,200
Total cost to Multilateral Fund (US \$)	162,720	328,152	138,990	122,040	152,550	197,298	45,200

* Total amount of ODS to be phased out through the National Compliance Action plan is 152.7 ODP tonnes.

PROJECT DESCRIPTION

1. The Government of Japan submitted to the Secretariat a national compliance action plan (NCAP) for Sri Lanka for consideration by the Executive Committee at its 40th and 41st Meetings. The project proposal was not considered by the Executive Committee at that time since it involved accelerated phase-out of CFCs.
2. The project was resubmitted to the 42nd Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/42/42 and Corr.1) under the window for accelerated phase-out (Decisions 41/12 and 41/81). Subsequent to a discussion on the project, the Executive Committee decided to approve, in principle, the NCAP for Sri Lanka at a funding level of US \$1,015,000 plus appropriate agency support costs; and requested the bilateral (Japan) and implementing agencies (UNDP and UNEP) to continue discussions with the Government of Sri Lanka in order to finalize the agreement between the Government and the Executive Committee for submission to the 43rd Meeting of the Executive Committee (Decision 42/40).
3. Pursuant to Decision 42/40, the Government of Japan (the lead implementing agency) had further developed the NCAP, providing detailed descriptions of the objectives, scope and the costs for each of the sub-projects included in the phase-out plan. The sub-projects included in the NCAP are:
 - (a) Incentive programme for the commercial and industrial refrigeration end-users, to be implemented by the Government of Japan (US \$144,000), to phase-out consumption of CFCs (mainly CFC-12 and R502) in the commercial and industrial refrigeration end-user sectors (i.e., food storage, fisheries, meat-processing plants, breweries, hospitals, hotels, restaurants, supermarkets and refrigerated transport) through the payment of a financial incentive to either replace or retrofit their refrigeration systems. This incentive programme is scheduled to operate from 2004 to 2006 with an estimated phase-out of 5 ODP tonnes of CFCs. The Ozone Unit is also proposing the establishment of a technical committee for the evaluation of the applications;
 - (b) Recovery and recycling programme, to be implemented by the Government of Japan (US \$290,400), to complement a similar programme that was approved at the 20th Meeting of the Executive Committee, includes 50 recovery machines and ancillary equipment. It is expected that the 2004 ODS quota will reduce the availability of ODS refrigerants in the country resulting in an increase in their prices. This will encourage the utilization of existing recovery and recycling equipment by the service technicians. Additionally, all the activities to replace or retrofit CFC-based equipment should be carried out with appropriate recovery of CFCs being replaced;
 - (c) MAC recovery, recycling and retrofit programme, to be implemented by the Government of Japan (US \$123,000), to establish a national recovery and recycling scheme to capture CFC-12 currently being vented during the repair and maintenance of MAC systems. The recovered and recycled refrigerant will lead to reduced dependency on imports and provide a stock of recycled material to

meet the requirement of the service tail for CFC-12 based equipment. It also includes the retrofit of 200 Government vehicles fitted with a CFC-12-based MAC to HFC-134a (this sub-project will demonstrate the Government's leading role on ODS related issues and raise awareness and interest among the population);

- (d) Enhancement of national capacity to monitor trade and prevent illegal trade of ODSs, to be implemented by UNEP (US \$135,000), would provide additional training to 400 Customs officers (inspectors, controllers and customs policemen) on ODS related issues, establish an ODS Information/Enforcement Centre in the Customs Department, including provision of equipment for recovery of ODS from confiscated illegal equipment; intensify the training campaign for enforcement officers on follow-up of illegal trade of ODSs activities; and awareness activities related to the accelerated phase-out of ODSs in the country;
- (e) Extension training of the established refrigeration technicians, to be implemented by UNEP (US \$174,600), would provide additional training for refrigeration service technicians, with particular focus in the North-eastern region of Sri Lanka; develop a certification system and national Code of Good Practices; and establish a refrigeration association, to ensure the sustainability of the ODS phase-out programme;
- (f) Halon bank management programme, to be implemented by UNEP (US \$40,000), to maintain the current halon levels for critical fire protection requirements; gradually reduce dependence on halons; ensure identification of, and provision for, critical uses of halons; and develop an effective regulatory system that will include a code of conduct for the users of halons; and
- (g) Monitoring the activities included in the phase-out plan, to be implemented by the Government of Japan (US \$108,000). A national consultant would be hired to monitor all the sub-projects in cooperation with the Ozone Unit, the Government of Japan and UNEP.

4. Through the implementation of the NCAP, together with other ODS phase-out activities under current implementation, the Government of Sri Lanka is committed to phase-out its ODS consumption according to the phase out schedule in the table below, with a complete phase-out by 2008.

ODP tonnes	2004	2005	2006	2007	2008	2009	Total
Montreal Protocol phase-out schedule	445.7	222.9	222.9	66.9	66.9	66.9	
Maximum allowable consumption	178.0	155.0	106.1	65.2	21.8		
Total reduction from ongoing projects	20.4	2.5	2.5	0.0	0.0	0.0	25.4
Total reduction under NCAP	2.6	46.4	38.4	43.4	18.7	3.2	152.7
Total annual reduction	23.0	48.9	40.9	43.4	18.7	3.2	178.1

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

5. The Secretariat noted that the Government of Sri Lanka has committed to phase out CFC consumption in advance of the Montreal Protocol requirements. The complete phase-out of CFCs will be achieved by 2008.

6. The Secretariat reviewed the sub-project proposals contained in the NCAP as further developed by the Government of Japan. No policy or cost related issues are outstanding.

7. In the letter covering the submission of the NCAP for Sri Lanka, the Government of Japan requested that the total cost of the project be approved and disbursed to the relevant bilateral and implementing agencies as a one-time lump sum. The Government of Japan considers that it would be inefficient to prepare a multi-year agreement for this level of funding, entailing a significant additional administrative workload and increase costs, and which would make it more difficult for the Government of Sri Lanka to take intensive and focused actions to achieve ODS phase-out on an accelerated basis when the proposed projects are already behind the original schedule. The Secretariat advised the Government of Japan that in view of the relatively small cost of the project it would be possible for it to be approved without an agreement. The relevant conditions of approval for complete and accelerated phase-out (i.e., consumption limits, reporting conditions) could be included in a decision approving the project and the funding. Precedents for this procedure have been well established in TPMPs recently approved by the Executive Committee (i.e., Lesotho, Decision 41/21; Mauritius, Decision 41/22; Namibia, Decision 41/23, submitted as bilateral cooperation by the Government of Germany).

8. The Secretariat also indicated that while approval of around US \$1 million in a single tranche is not unusual, implementing agencies and the countries concerned sometimes consider that there are advantages in proposing funding in two or three stages, as this would provide a clear signal to industries and other stakeholders that provision of the balance of project funding is dependent on satisfactory progress on the project being reported to the Executive Committee. However, the Government of Japan requested that the total level of funding be disbursed in one instalment (i.e., US \$665,400 for Japan and US \$349,000 for UNEP).

RECOMMENDATIONS

9. The Fund Secretariat recommends that the Executive Committee approve the national compliance action plan for Sri Lanka, on the understanding that:

- (a) The total level of funding of the NCAP for Sri Lanka is US \$1,015,000 plus support costs of US \$131,950. This is the total funding that would be available to the Government of Sri Lanka from the Multilateral Fund for the total elimination of ODSs in the country. The level of funding will be distributed as follows:

Project Title	Project Funding (US\$)	Support Cost (US\$)	Agency
Incentive programme for the commercial and industrial refrigeration end-users	144,000	18,720	Japan
Recovery and recycling programme	290,400	37,752	Japan
MAC recovery, recycling and retrofit programme	123,000	15,990	Japan
Enhancement of national capacity to monitor trade and prevent illegal trade of ODSs	135,000	17,550	UNEP
Extension training of the established refrigeration technicians	174,600	22,698	UNEP
Halon bank management programme	40,000	5,200	UNEP
Monitoring the activities included in the phase-out plan	108,000	14,040	Japan

- (b) The Government of Sri Lanka commits itself to the phased reduction and complete phase-out of consumption of ODSs used in Sri Lanka, according to the following phase-out schedule, which is at a minimum consistent with the Montreal Protocol control measures for CFCs:

ODP tonnes	2004	2005	2006	2007	2008	2009	Total
Montreal Protocol phase-out schedule	445.7	222.9	222.9	66.9	66.9	66.9	
Maximum allowable consumption	178.0	155.0	106.1	65.2	21.8		
Total reduction from ongoing projects	20.4	2.5	2.5	0.0	0.0	0.0	25.4
Total reduction under NCAP	2.6	46.4	38.4	43.4	18.7	3.2	152.7
Total annual reduction	23.0	48.9	40.9	43.4	18.7	3.2	178.1

- (c) The Government of Sri Lanka agrees that no additional resources will be requested from the Multilateral Fund for activities related to the phase out of ODSs. The Executive Committee agrees to provide Sri Lanka with flexibility in using the agreed funds consistent with operational procedures as agreed between Sri Lanka and the Government of Japan (as the lead implementing agency) in the NCAP;
- (d) The Government of Sri Lanka agrees to ensure accurate monitoring of the phase-out and to provide regular reports, as required by its obligations under Article 7 of the Montreal Protocol, by 30 September each year; and
- (e) The Government of Japan will be responsible for reporting annually on the implementation of activities funded under the NCAP for providing verification to the Executive Committee annually that the CFC consumption reductions in the NCAP have been completed according to the above schedule.
