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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty first Meeting
Montreal, 17 -19 December 2003

PROJECT PROPOSAL: LESOTHO

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

Phase out

- Terminal ODS phase-out management plan

Germany

**PROJECT EVALUATION SHEET
LESOTHO**

SECTOR: Phase-Out ODS use in sector 2002: 1.6 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Title:

(a) Terminal ODS phase-out management plan

Project Data	TPMP
Enterprise consumption (ODP tonnes)	
Project impact (ODP tonnes)	*1.6
Project duration (months)	36
Initial amount requested (US \$)	75,000
Final project cost (US \$):	
Incremental capital cost (a)	
Contingency cost (b)	
Incremental operating cost (c)	
Total project cost (a+b+c)	127,300
Local ownership (%)	100%
Export component (%)	0%
Amount requested for first tranche (US \$)	75,000
Cost effectiveness (US \$/kg.)	
Counterpart funding confirmed?	
National coordinating agency	National Ozone Office
Implementing agency	Germany

Secretariat's Recommendations	
Amount recommended (US \$)	
Project impact (ODP tonnes)	
Cost effectiveness (US \$/kg)	
Implementing agency support cost (US \$)	
Total cost to Multilateral Fund (US \$)	

* The total impact of the plan is 1.6 ODP tonnes. The impact of the first tranche is 0.6 ODP tonnes

PROJECT DESCRIPTION

Servicing sector

1. In 2002, the total CFC used consumption in Lesotho was estimated at 1.6 ODP tonnes used for servicing refrigeration systems. The CFC baseline for Lesotho is 5.1 ODP tonnes.

Refrigeration servicing sector

2. It is estimated that, there are about 80,000 domestic refrigerators presently in use in Lesotho, of which 16,000 are CFC-based. In recent years, CFC-based commercial refrigeration systems have been replaced by systems operating with non-CFC refrigerants, namely HCFC-22 and HFC-134a. However, there are 21 cold rooms (with CFC charge capacity between 50 kg and 210 kg) owned by seven enterprises primarily concentrated in the food processing. The units are serviced once or twice per year. Only a small number of vehicles are fitted with a MAC unit based on HFC-134a refrigerant.

3. The current prices of refrigerants per kg are: US \$12.96 for CFC-12 and US \$11.11 for HFC-134a.

Halons

4. Based on a survey conducted under the regional halon bank project for Southern Africa, the installed capacity of halon-1301 in Lesotho has been estimated at 25 ODP tonnes. The phase out of halons in Lesotho will be achieved through the regional halon bank project.

Methyl bromide

5. In 2002, less than 0.2 ODP tonnes of methyl bromide (MB) were reported in Lesotho.

Legislation

6. Regulations for controlling trade and use of ODS in Lesotho have been approved within the Ozone Act 2000. Some of the provisions included in the Act are:

- (a) All import and export of ODS and ODS-based equipment must be approved through the application of a permit;
- (b) All ODS and ODS-based equipment must be clearly labelled so as to indicate their identity;
- (c) All refrigeration and air conditioning technicians need to have a certificate from a recognized training institution; and
- (d) No new manufacturing plants can be installed in the country which use ODS.

Status of implementation of the RMP

7. Since 1999, the Government of Germany (bilateral cooperation) has assisted the Government of Lesotho in the implementation of the refrigerant management plan (RMP), which comprises the following specific activities: legislative and policy measures; training in good refrigeration services practices; training of customs officials; and recovery and recycling of CFCs.

8. Four customs officers and staff of the Ozone Unit were trained in the harmonized system of coding and how the various ODSs can be identified. Since then, the trainers have conducted training for 22 customs officers from different border posts. Under the Ozone Act 2000, customs officers are now required to report ODS imports and exports once a month. This process has also ensured that future data reporting is more accurate.

9. Trainers from the Industrial Vocational Training Centre and from the service industry have been trained in good service practices in Germany. These trainers have trained 35 technicians of small service workshops and firms who provide after sales service. At the conclusion of the training course, the technicians recommended to increase the number of systems used in the courses to have sufficient hands-on experience; the course should also include training on how to construct recovery machines; the possibilities of increasing the prices of ODS refrigerants and subsidizing the price of non-CFC refrigerants should be explored.

10. The recovery and recycling programme (approved for UNDP at the 22nd Meeting of the Executive Committee) has also been implemented. In total, 15 recovery units have been distributed and one recycling centre has been established. According to a recent report prepared by the Ozone Unit, approximately 1.5 tonnes of CFCs have been recovered/recycled. However, the industry had problems related to the disposal of the contaminated CFCs (about one tonne). Because of this situation, the servicing sector lost interest in recovery/recycling operations. In the recent past, the increase in the price of CFC-12 has encouraged service technicians to reintroduce the practice of recovery of refrigerants.

Additional activities proposed

11. The Government of Lesotho has submitted an ODS terminal phase out management plan (TPMP) to completely phase out the current consumption of ODS by January 2007.

12. The TPMP includes technical assistance for reviewing the existing ozone regulations; additional training for custom officers and refrigeration servicing technicians; implementation of an incentive programme to assist these users to convert to the alternatives; an awareness-related activity for MB users; and monitoring and management of the activities proposed in the TPMP.

13. The cost for implementation of the TPMP amounts to US \$975,000; of this amount, the Government of Lesotho is requesting US \$127,300 from the Multilateral Fund.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

14. The Secretariat drew the attention of the Government of Germany to relevant decisions taken by the Executive Committee related to the conversion of RMP updates to TPMP, in particular Decision 40/21 through which the Executive Committee, *inter alia*, urged all Article 5 Parties concerned to ensure that all the provisions of Decision 38/64 were applied before submitting projects for TPMP and that the acceleration of phase out implied by the TPMP had met the criteria established by the Executive Committee for prioritizing accelerated phase out.

15. In this regard, the Secretariat was informed that the Government of Lesotho was already aware of the possibility of preparing a TPMP. Originally it had planned to submit an RMP update project; however, since Lesotho successfully meets requirements of Decision 38/64, the Government organized a workshop with major stakeholders to discuss the most favourable approach for achieving complete phase out of ODSs. In this regard, the industry unanimously decided in favour of a TPMP being fully aware of the implications of such an approach.

16. Regarding the Executive Committee's criteria for project funding to accelerate phase out and/or to maintain momentum (Decision 40/7), the Secretariat noted that of the six criteria listed under this decision, only criterion 5 (i.e., countries with a low level of residual consumption on a case-by-case basis) could apply to Lesotho. The Government of Germany indicated that under Decision 40/7, Lesotho's TPMP would also meet criteria 2 and 4 (on residual consumption in MB, and accelerated phase for low level residual consumption).

17. The Fund Secretariat sought a clarification on the request for retrofit of commercial refrigeration units to non-ODS refrigerant, at an estimated cost of US \$800,000, of which US \$60,000 was requested from the Multilateral Fund. The Government of Germany indicated that funds are limited and not every unit will be retrofitted, it was expected a specific amount of funds would be made available to the end-users according to the amount of refrigerant in the systems. The actual costs for retrofitting all of the units would be in the range of US \$2 million; however, the level of funding requested is an incentive to assist all owners of this equipment to convert to non-CFC refrigerants.

18. The Secretariat and the Government of Germany also discussed and agreed on the overall cost of the TPMP, in light of Decision 31/48 and other TPMP projects for LVC countries so far approved by the Executive Committee.

19. The agreement between the Government of Lesotho and the Executive Committee for the implementation of the TPMP will be finalized prior to the 41st meeting.

RECOMMENDATION

20. Pursuant to Decision 38/64 (funding of terminal CFC phase-out plans for LVC countries might be considered on a case by case basis), the TPMP for Lesotho is submitted for individual consideration. The Executive Committee may wish to consider the project taking into consideration that all policy and cost issues have been resolved between the Government of Germany and the Fund Secretariat.