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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eightieth Meeting
Montreal, 13-17 November 2017

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 I, third tranche) Germany

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Lesotho

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	Germany (lead)	64 th	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2016	0.71 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2016	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-142b					0.0				0.0
HCFC-22					0.71				0.71

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	3.5	Starting point for sustained aggregate reductions:	1.54
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.54	Remaining:	1.00

(V) BUSINESS PLAN		2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)	0.4	0.0	0.0	0.1	0.5
	Funding (US \$)	94,920	0	0	31,640	126,560

(VI) PROJECT DATA			2011	2012	2013	2014	2015-2016	2017	2018-2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	3.5	3.5	3.2	3.2	3.2	2.3	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	3.5	3.5	3.15	1.54	1.39	1.00	n/a
Agreed funding (US\$)	Germany	Project costs	100,000	0	0	68,000	0	84,000	0	28,000	280,000
		Support costs	13,000	0	0	8,840	0	10,920	0	3,640	36,400
Funds approved by ExCom (US \$)		Project costs	100,000	0	0	68,000	0	0.0	0.0	0.0	168,000
		Support costs	13,000	0	0	8,840	0	0.0	0.0	0.0	21,840
Total funds requested for approval at this meeting (US \$)		Project costs	0	0	0	0	0	84,000	0	0	84,000
		Support costs	0	0	0	0	0	10,920	0	0	10,920

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Lesotho, the Government of Germany as the designated implementing agency, has submitted a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$84,000, plus agency support costs of US \$10,920.¹ The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption and the tranche implementation plan for 2018 to 2019.

Report on HCFC consumption

HCFC consumption

2. The Government of Lesotho reported a consumption of 0.71 ODP tonnes of HCFC in 2016 which was 80 per cent below the baseline and the maximum allowable consumption for that year in the Agreement with the Executive Committee. The 2011–2016 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Lesotho (2011-2016 Article 7 data)

HCFC	2011	2012	2013	2014	2015	2016	Baseline
Metric tonnes							
HCFC-22	45.08	40.80	35.64	20.36	13.3	12.77	62.70
HCFC-142b	0.28	0.00	0.00	0.15	0.34	0.07	-
Total (mt)	45.36	40.80	35.64	20.51	13.64	12.84	
ODP tonnes							
HCFC-22	2.50	2.24	1.96	1.12	0.73	0.71	3.50
HCFC-142b	0.00	0.00	0.00	0.01	0.02	0.00	-
Total (ODP tonnes)	2.50	2.24	1.96	1.14	0.75	0.71	

3. The consumption of HCFCs has been in a steady decline since 2012, as a result of the implementation of the activities so far approved under the HPMP and the reduced economic activity, which had a negative impact on the construction and infrastructure growth in the country.

Country programme (CP) implementation report

4. The Government of Lesotho reported HCFC sector consumption data under the 2016 CP implementation report, which is consistent with the data reported under Article 7.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs for 2016 was 0.71 ODP tonnes. The verification concluded that Lesotho has adequate legislation and policies for controlling ODS import and use.

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

Legal framework

6. The Government of Lesotho continues to enforce the Ozone Depleting Substances Regulations of 2012 to control import and export of ODS. Five training courses on monitoring of imports and exports, and proper use of refrigerant identifiers were conducted for 90 customs and enforcement officers; and

¹ As per the letter of 13 September 2017 from the Ministry of Energy and Meteorology of Lesotho.

monitoring of customs officers at six border posts which involved checking the use of the refrigerant identifiers, were carried out.

Refrigeration servicing sector

7. A training course on best practices and safe use and servicing of hydrocarbon (R-290) and CO₂ (R-744)-based-equipment for 45 technicians, will be completed before December 2017. Ten trainers received training on the handling of R-744 in beverage coolers, two trainers will be further trained in South Africa by December 2017 and is expected to further train 45 local technicians.

8. Awareness campaigns, media awards, and a stakeholder workshop were held to increase awareness in ozone depletion and the impact of ultraviolet radiation, where some 2,000 people from the general public were provided with information.

Project implementation and monitoring unit (PMU)

9. The national ozone unit (NOU) has been overseeing the implementation of the HPMP with the cooperation of the Government of Germany.

Level of fund disbursement

10. As of September 2017, of the US \$168,000 approved so far, US \$155,198 had been disbursed as shown in Table 2. The balance of US \$12,802 will be disbursed by December 2017.

Table 2. Financial report of stage I of the HPMP for Lesotho (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
Germany	100,000	100,000	68,000	55,198	168,000	155,198
Disbursement rate (%)	100		81		92	

Implementation plan for the third tranche of the HPMP

11. The following activities will be implemented up to December 2019:
- (a) Refresher training workshops for 60 customs officers on proper use of refrigerant identifiers including monitoring of imports and exports at border posts (US \$20,000);
 - (b) Finalization of the technicians’ certification programme including six training workshops on the updated training curriculum with the aim to certify 100 technicians (US \$44,000);
 - (c) Awareness campaign including stakeholder workshops on HCFC phase-out activities and promotion of technicians’ certification programme (US \$10,000); and
 - (d) Project coordination monitoring and management (US \$10,000)

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Revision of the starting point and funding levels and modification to the Agreement

12. The verification confirmed the substantive and steady reduction in HCFC consumption that started in 2011, with the 2016 consumption already 80 per cent below the baseline for compliance of 3.5 ODP

tonnes. The Secretariat also noted the influx of equipment based on alternative refrigerants to HCFC, namely R-410A and R-744 and, to a lesser extent, R-290 into the country from South Africa, further reducing the demand for HCFC. On this basis, the Government of Lesotho agreed to adjust the starting point for sustained aggregate reduction in HCFC consumption from 3.50 to 1.54 ODP tonnes calculated as the average reported consumption over the 2011-2016 period. This level of consumption will be the basis for the country's import quotas to be set from 2018. While the revised starting point is higher than the 2016 reported consumption of 0.71 ODP tonnes, the Government considers that this level of consumption is adequate as it would allow for some growth in the consumption.

13. The total funding approved in principle for stage I of the HPMP amounted to US \$280,000, to meet the 35 per cent reduction of the HCFC baseline by 2020. However, based on the revised starting point, the maximum level of funding under decision 60/44(f)(xii) would be US \$210,000 for the same period. Noting that the change in starting point would result in a reduction in funding for the HPMP of US \$70,000, the Government suggested that such adjustment be considered during the approval of stage II of the HPMP. The funding for the complete phase-out of HCFCs in Lesotho would be US \$750,000 (in line with decision 74/50(c)(xii)).

14. Based on the revised starting point for Lesotho, paragraph 1, Appendices 1 A and 2-A are revised and paragraph 16 is updated to indicate that the revised updated Agreement supersedes the Agreement approved at the 73rd meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 80th meeting.

15. In light of the revision to the starting point, the Secretariat suggested that the Government consider submitting a request to the Ozone Secretariat to also revise the country's baseline. The Government of Germany noted that the Government of Lesotho would discuss the issue with the Ozone Secretariat during the Twenty-Ninth Meeting of the Parties in order to make a decision.

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

Legal framework

16. The Government of Lesotho has issued HCFC import quotas of 3.20 ODP tonnes for 2017. For future years, the quotas would be issued based on the revised starting point. For 2018, the quota would be 1.39 ODP tonnes.

Refrigeration servicing sector

17. The training of technicians under the second tranche of the HPMP is delayed. The Government of Germany reported that delays were due to conflicting priorities in the NOU, including some administrative difficulties that have since been resolved. The Government of Germany also indicated that training trainers to service R-744-based equipment had been requested by industry and technicians as commercial refrigeration is shifting from HCFC and HFC-based to R-744 technology; however, none of the trainers have experience in servicing this equipment.

18. The Government would continue to strengthen the vocational training centres, and the process for certification of technicians. Through these measures, sustainability of the training programme will be achieved.

Conclusion

19. The reported 2016 HCFC consumption of 0.71 ODP tonnes was already 80 per cent below the country's baseline, and the Secretariat noted and acknowledged the revision of the starting point, with funding levels to be adjusted in stage II of the HPMP endorsed by the Government of Lesotho. The

country's import licensing and quota system is operational, and import quotas starting 2018 will be adjusted based on the revised starting point, which is lower than the Montreal Protocol targets. The level of fund disbursement is over 90 per cent. The activities planned under the third tranche will further strengthen the servicing sector, ensure the long-term sustainability of the activities, and will enable the country to meet its compliance obligations under the Protocol.

RECOMMENDATION

20. The Executive Committee may wish to consider:

- (a) Noting:
 - (i) The progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Lesotho;
 - (ii) That the revised starting point for sustained aggregate reduction in HCFC consumption was 1.54 ODP tonnes, calculated as the average consumption reported under Article 7 of the Montreal Protocol for the 2011-2016 period;
 - (iii) That the total funding approved in principle for stage I of the HPMP at the 64th meeting to meet the 35 per cent reduction of the HCFC baseline, was US \$280,000 rather than US \$210,000 in line with decision 60/44(f)(xii); that the maximum funding balance for which the country was eligible for the total phase-out of HCFCs was US \$470,000 in line with decision 74/50(c)(xii); and that the necessary funding adjustments would be made during the approval of the stage II HPMP for the country;
 - (iv) That the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Lesotho and the Executive Committee, based on the revised starting point, and that paragraph 16 had been updated to indicate that the revised updated Agreement superseded that reached at the 73rd meeting, as contained in Annex I to the present document; and
- (b) Approving the third tranche of stage I of the HPMP for Lesotho, and the corresponding 2018-2019 tranche implementation plan, in the amount of US \$84,000, plus agency support costs of US \$10,920 for the Government of Germany on the understanding that if Lesotho were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols.

Annex I

TEXT TO BE INCLUDED IN THE REVISED UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF LESOTHO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Lesotho 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 ODP tonnes **1.00** ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Lesotho and the Executive Committee at the **73rd** meeting of the Executive Committee.

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

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	3.5	3.5	3.15	3.15	3.15	3.15	3.15	2.27	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)*	n/a	n/a	3.5	3.5	3.15	3.15	1.54	1.39	1.39	1.00	n/a
2.1	Lead IA (Germany) agreed funding (US \$)	100,000	0	0	68,000	0	0	84,000	0	0	28,000	280,000
2.2	Support costs for Lead IA (US \$)	13,000	0	0	8,840	0	0	10,920	0	0	3,640	36,400
3.1	Total agreed funding (US \$)	100,000	0	0	68,000	0	0	84,000	0	0	28,000	280,000
3.2	Total support cost (US \$)	13,000	0	0	8,840	0	0	10,920	0	0	3,640	36,400
3.3	Total agreed costs (US \$)	113,000	0	0	76,840	0	0	94,920	0	0	31,640	316,400
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											0.54
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											-
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											1.00

*Starting point revised from 3.5 ODP tonnes to 1.54 ODP tonnes at the 80th meeting in 2017. The funding level associated with stage I of the HPMP should be up to US \$210,000. The funding adjustment will be made when stage II of the HPMP is approved.