



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/40/35
13 June 2003

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fortieth Meeting
Montreal, 16 -18 July 2003

PROJECT PROPOSAL: CONGO

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

Refrigeration

- Refrigerant management plan: incentive programme for the commercial and industrial end-user refrigeration sector

UNDP

PROJECT EVALUATION SHEET CONGO

SECTOR: Refrigeration ODS use in sector (2002): 6.6 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Title:

- (a) Refrigerant management plan: incentive programme for the commercial and industrial end-user refrigeration sector

Project Data	Refrigeration
Enterprise consumption (ODP tonnes)	4.40
Project impact (ODP tonnes)	3
Project duration (months)	48
Initial amount requested (US \$)	112,000
Final project cost (US \$):	
Incremental capital cost (a)	112,000
Contingency cost (b)	
Incremental operating cost (c)	
Total project cost (a+b+c)	112,000
Local ownership (%)	100%
Export component (%)	0%
Amount requested (US \$)	112,000
Cost effectiveness (US \$/kg.)	
Counterpart funding confirmed?	
National coordinating agency	Ozone Office
Implementing agency	UNDP

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 \$)	

PROJECT DESCRIPTION

1. The Executive Committee has approved the following project proposals in the refrigeration servicing sector in Congo:
 - (a) National programme for recovery and recycling of refrigerants, approved at the 20th Meeting (US \$201,200);
 - (b) Technical assistance programme for awareness and information to assist in the finalization of ODS related regulations, approved at the 32nd Meeting (US \$16,000); and
 - (c) Customs training programme, approved at the 32nd Meeting (US \$69,400).

2. The RMP project proposal considered by the Executive Committee at its 32nd Meeting, identified a complementary project for the approved recovery and recycling programme, to be submitted to a future meeting of the Executive Committee.

3. Subsequently, at the 34th Meeting of the Executive Committee, UNDP received US \$15,000 for the preparation of a project proposal in the refrigeration sector in Congo. With these funds, a survey of the commercial and industrial refrigeration sub-sectors was conducted in Congo. On the basis of the survey, it was decided to develop an incentive programme for end-users, rather than a complementary recovery and recycling programme.

4. In 2002, the consumption of CFC-12 in Congo was 6.6 ODP tonnes, which was 5.3 ODP tonnes lower than the CFC baseline (11.9 tonnes). About 4.4 ODP tonnes of CFCs is currently used for servicing 200 commercial and industrial refrigeration systems.

5. The reduction in the consumption of CFC-12 can be attributed partially to the introduction of the following four decrees signed by the Department of the Environment:
 - (a) Decree 609/MIME/CAB (22 March 2000), regulating the use of certain substances in the refrigeration sector; it is mandatory that installation, maintenance and/or repair of refrigeration equipment be performed by technicians accredited by the Ozone Office;
 - (b) Decree 2057/MIME/CAB (jointly signed by the Ministers of the Trade and of the Environment on 13 May 2002), regulating imports, exports and re-exports of the ODS and ODS-based equipment (licensing system);
 - (c) Decree 4217/MIME/DGE (8 August 2002), regulating the consumption of CFC-12 in refrigeration equipment containing a refrigerant charge larger than 1 kg; it is mandatory to recover and recycle CFC-12 in the equipment being serviced; and
 - (d) Decree 4218/MIME/DGE (8 August 2002), banning production of ODS-based products and equipment, including second-hand refrigeration equipment as of 31 December 2003.

6. The RMP update consists of an incentive programme, through which commercial or industrial refrigeration end-users that decide to replace or retrofit their existing equipment (CFC-12 or R502) to non CFC technologies, could receive an incentive payment towards the cost of the replacement or retrofit. The incentive programme also includes activities for information dissemination and monitoring, a national workshop for end-users, evaluation of applications received and annual meetings to report on progress of the implementation of the incentive programme.

7. The estimated amount of CFC-12 to be phased out is 3 ODP tonnes.

8. Applications for the incentive payments will be sent to the Ozone Office during the period 2003-2006 which will oversee this programme together with UNDP. Incentive payments will range from US \$500 to US \$5,000.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

9. The proposal is being submitted in accordance with Decisions 31/48 and 32/28.

10. The Government of Congo has undertaken to meet the 2005 and 2007 Montreal Protocol's control measures for CFCs without additional assistance from the Multilateral Fund.

11. The Fund Secretariat has reservations on committing the additional funding provided under the RMP update (Decision 31/48) for Congo, for an incentive programme for the end-user sub-sector, for the following reasons:

- (a) The long-term sustainability and the cost-effectiveness of the project proposal is in doubt, taking into consideration that the difference in the prices between CFC-12 (US \$6 to US \$9 per kg) and HFC-134a (US \$18.2 to US \$22.7 per kg) is large; and
- (b) Of the total cost of the project (US \$112,000), US \$56,000 (or 50 per cent of the total cost) is associated with salaries, one work shop, travel and sundries, and the remaining US \$56,000 for the actual payment of incentives (i.e., sufficient for the conversion of 11 systems each with a capacity greater than 200 kg of refrigerant or 110 small commercial refrigerators, each with a maximum capacity of 10 kg of refrigerant). The Secretariat notes that the costs of consultancies, travel and sundries, are extremely high, and may not contribute to CFC phase out.

12. UNDP responded to the above issues as follows:

- (a) The price of CFC-12 is expected to rise as legislation, a quota system and training of customs officers have been implemented. By the time, the end-users project is approved, the document signed by the country and the information workshop is conducted, it is expected that the prices of refrigerants would have changed;
- (b) The proposed programme is a mixture of an awareness-raising programme for end-users and an incentive-scheme. As such, the US \$56,000 should not be seen as an overhead cost. Any incentive scheme requires a thorough review and monitoring to avoid allocating funds to the least eligible recipients. UNDP has designed a very careful and elaborate method that includes, among others, a local committee consisting of the Ozone Unit, a national consultant and associations, who forwards their recommendations with supporting documents to UNDP's international consultant, who in turn recommends payment of the incentive by the local UNDP Office. Without this, there is no guarantee that the project will be successful. The cost breakdown is shown in the table below:

International expert to provide guidance, evaluate incoming applications for incentive payments, follow up on these requests with the national consultant and final review and recommendations relating to the level of incentive payment	\$18,000
National consultant for information, monitoring activities, certification of destruction of replaced baseline equipment, and preliminary review of cost data for the conversion process	\$15,000
National workshop for informing end-users	\$8,000
Local travel within the country	\$8,000
Sundries (telephone, fax, advertisements, reporting and contingencies)	\$7,000
Total cost (US \$)	\$56,000

13. The time frame for implementation of the project is very long (4 years).

RECOMMENDATION

14. The Fund Secretariat cannot recommend the project for blanket approval on the basis of the reservations indicated in paragraph 11 above.
