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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fifth Meeting
Montreal, 16-20 November 2015

PROJECT PROPOSAL: KENYA

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) France

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Kenya

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	France (lead)	66 th	21.1% by 2017

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	24.80 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2014	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					24.80				24.80

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	52.20	Starting point for sustained aggregate reductions:	52.20
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	11.00	Remaining:	41.20

(V) BUSINESS PLAN		2015	2016	2017	Total
France	ODS phase-out (ODP tonnes)	2.2	2.2	1.1	5.4
	Funding (US \$)	197,596	197,596	100,900	496,092

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	52.20	52.20	46.98	46.98	46.98	n/a
Maximum allowable consumption (ODP tonnes)			n/a	52.20	52.20	46.98	46.98	41.20	n/a
Agreed funding (US\$)	France	Project costs	257,500	0	200,000	176,250	176,250	90,000	900,000
		Support costs	31,186	0	24,222	21,346	21,346	10,900	109,000
Funds approved by ExCom (US\$)	France	Project costs	257,500	0	200,000	0.0	0.0	0.0	457,500
		Support costs	31,186	0	24,222	0.0	0.0	0.0	55,408
Total funds requested for approval at this meeting (US\$)	France	Project costs	0	0	0	176,250	0	0	176,250
		Support costs	0	0	0	21,346	0	0	21,346

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Kenya, the Government of France, as the designated implementing agency, has submitted to the 75th meeting a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$176,250, plus agency support costs of US \$21,346. 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 2015 to 2016.

Report on HCFC consumption

HCFC consumption

2. The Government of Kenya reported a consumption of 24.80 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Kenya (2010-2014 Article 7 data)

HCFC-22	2010	2011	2012	2013	2014	Baseline
Metric tonnes	901.31	884.00	770.00	529.80	450.88	948.15
ODP tonnes	49.60	48.62	42.35	29.14	24.80	52.20

3. HCFC consumption in Kenya has been decreasing since the year 2010 due to difficulties in selling HCFC-22 caused by the introduction of alternatives, mainly HFCs, remaining stocks of previous imports, and the reduction of HCFC-22 use for flushing. The importers requesting quotas did not import their complete quota amounts due to lack of demand. The 2014 HCFC consumption was already 52.5 per cent below the baseline and 47.2 per cent below the 2015 control measure (46.98 ODP tonnes). As of August 2015, the Government of Kenya had issued import licenses for approximately 40 mt (2.2 ODP tonnes).

Verification report

4. The verification report confirmed that the Government continues to implement its licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs for 2014 was 24.8 ODP tonnes. The verification concluded that the system in place is capable of ensuring the country's compliance with the Montreal Protocol's phase-out schedule. However, improvements to import monitoring are still required. The introduction of a new import data management system currently in development is expected to address this issue.

Country programme (CP) implementation report

5. The Government of Kenya reported HCFC sector consumption data under the 2014 CP implementation report which is consistent with the data reported under Article 7.

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

Legal framework

6. The National Environmental Management Authority (NEMA) has introduced changes to the licensing system to ensure that all licenses were only issued for a calendar year instead of being valid for 12 months, to prevent miscalculations of import data. The licensing system has also been automated to allow importers to apply for licenses online. NEMA collected ODS import data directly from importers for 2014 and compared it with the declared import data available at the Customs Service Department of Kenya Revenue Authority (KRA).

7. The National Ozone Unit (NOU) and the Legal Department of the Ministry of Environment and Natural Resources are considering to include licenses and quotas for imports of HFCs into the existing regulations, and a ban on imports of HCFC-based equipment in 2020.

Refrigeration servicing sector

8. The following activities were implemented:

- (a) *Training of refrigeration servicing trainers and technicians:* Seventeen instructors from various institutions and 182 refrigeration service technicians were trained on the safe use of hydrocarbon (HC) refrigerants during maintenance of HC-based equipment and on conversion of HCFC-based air-conditioning (AC) equipment to HC-290. The trained instructors were required to sign a commitment note prior to receiving HC-290 AC equipment from the NOU indicating that their institutions would be solely responsible in the unlikely event of fire caused by the HC-290 AC equipment;
- (b) *Providing training equipment and tools:* Ten recovery units were purchased, nine of which were distributed to servicing enterprises, in addition to the seven provided to the training centres during the first tranche of the HPMP. Recipient enterprises signed a Memorandum of Understanding (MOU) with the NOU committing to recover refrigerants and submit information on those refrigerants to the NOU. As of June 2015, two of the enterprises have already submitted data to the NOU indicating the recovery of approximately 18 kilograms each one; and
- (c) *Awareness activities:* Several activities were implemented, including the distribution of posters for quick screening of ODS by customs officers and recognition to enforcement officers for apprehending illegal ODS imports.

Project implementation and monitoring unit (PMU)

9. The PMU assisted the NOU with the implementation of the HPMP by facilitating engagement of trainers, procurement of material, advertising, and liaising with the industry and other stakeholders.

Level of fund disbursement

10. As of October 2015, of the US \$457,500 so far approved, US \$424,867 had been disbursed by the Government of France. The balance of US \$32,633 will be disbursed in 2015-2016 (Table 2).

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

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
France	257,500	257,496	200,000	167,371	457,500	424,867
Disbursement rate		100.0%		83.7%		92.9%

Implementation plan for the third tranche of the HPMP

11. The third funding tranche of the HPMP will be implemented between December 2015 and December 2016, and the following activities will be undertaken:

- (a) *Enforcement and amendment of ODS regulations (US \$28,000):* Two training sessions for 40 to 50 customs officers and other law enforcement bodies on the HCFC control measures, identification of refrigerants and new import data management system;

- (b) *Refrigeration and air-conditioning (RAC) sector (US \$88,750)*: At least 180 refrigeration service technicians will be trained; at least five recovery units will be purchased, and the incentive scheme will commence with the conversion of HCFC-based air-conditioning equipment to HC-290 through the assistance of trained trainers;
- (c) *Awareness and stakeholder participation and involvement (US \$25,500)*: At least one awareness workshop for decision-makers in key institutions and one workshop with stakeholders, including importers and users; and
- (d) *PMU (US \$34,000)*: The PMU will continue to support the implementation of the HPMP. Counterpart funding has been provided by the Ministry of Environment and Natural Resources for the operation of the PMU.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Issues identified in the licensing and quota system

12. The second tranche request for the HPMP was approved at the 72nd meeting on the understanding that the approval of further funding would be subject to satisfactorily addressing the issues on the licensing and quota system identified in the 2013 HCFC consumption verification report (decision 72/25(a))¹. In response, the Government of France clarified that:

- (a) An agreement had been reached between NEMA and the Customs Service Department to reduce HCFC import data discrepancies through joint data verifications by NEMA and the NOU. In addition, copies of processed licenses are issued to NEMA's liaison officer from the Customs Service Department;
- (b) A new National Electronic Licensing Single Window System being developed by the Government of Kenya for all imports will further address data management deficiencies. The new system will ensure the use of only one code by controlled substance, prevent the reuse of licenses and allow NEMA to track incorrect declarations of the ODS consignment and flag them to customs. The system was tested in July 2015 and will be operational once other government agencies have undergone the integration process;
- (c) NEMA trained its officers to follow up on enforcement at the border posts, and conducted visits to the border posts to meet with customs officials. Customs officers training will only be resumed once the National Electronic Licensing Single Window System is operational; and
- (d) The NOU has strengthened its relation with HCFC importers; both KRA and NEMA have access to refrigerant identifiers and officers are encouraged to use them in case of doubt regarding any consignment; NEMA is sharing all permit documents to KRA; the NOU has a clear role in the cycle of issuance of import licenses that will be reflected in the upcoming update of ODS regulations; and refrigeration technicians are involved in awareness activities, especially those related to the safe use of flammable refrigerants.

¹ Approval provision is included in Annex V of the Report of the 72nd Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/72/47, Annex V, page 9).

13. The Secretariat acknowledges NEMA's progress in addressing the issues identified on the licensing and quota system. However, the 2014 verification report still identified imports using different codes for HCFC-22, and small amounts of HCFC (0.4 ODP tonnes) that were imported without a license. The importers were identified and were penalized for not having a license; however, upon an analysis of the specific circumstances of the imports and the fact that the annual consumption would still be within the limits, licenses were granted, and the imports were legalized and became part of the official consumption. It is expected that with the National Electronic Licensing Single Window System in place, NEMA will have a better way to implement the licensing and quota system.

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

14. The Secretariat raised a concern about reaching the established target of 2,800 technicians trained under stage I, when only 282 have been trained so far. The Government of France clarified that up to now approximately 1,300 technicians have been trained directly and indirectly through the training institutes. The proposed target will be achieved through training sessions targeting 600 to 700 technicians directly, and additional training provided through 10 institutions as part of their curriculum and short-term courses.

15. Upon a request by the Secretariat, the Government of France informed that while the technicians' certification programme was to be developed by NEMA, its implementation needs to be undertaken by a qualified body with technical expertise in this area. The NOU and NEMA are currently in discussions with the Refrigeration Association to take over this role with the support from NEMA.

16. On the incentive scheme to convert systems to HC-based technology, the Secretariat discussed with the Government of France regulatory aspects and liability issues associated with the use of flammable refrigerants in equipment designed for non-flammable substances, including decisions 72/17 and 73/34 of the Executive Committee. The Government of France confirmed that the Government of Kenya is fully aware of these decisions and indicated that the issue of liability has been well documented through a disclaimer in each certificate provided to the technicians, and has been discussed at all training sessions. It also clarified that the programme is focused on comprehensive conversions of equipment in order to make them safe to operate with HC. Guides for safe conversions were developed and provided to each trainer and technician participating in the trainings. A new hands-on guide will be also developed to take into account the experience of trainers during the conversions.

17. In response to the Secretariat's follow up on the activity to eliminate the use of HCFC-22 for flushing refrigeration systems during maintenance, the Government of France indicated that such practice has substantially decreased amongst technicians as a result of awareness raised through training and the Refrigeration Association. While at the time of the HPMP approval it was estimated that more than 90 per cent of technicians used HCFC-22 for flushing, at present 20 to 25 per cent of technicians continue to use it. Larger users of HCFC-22 are using nitrogen and air for flushing circuits.

18. The Government of France also reported larger expenditures than originally planned on the awareness programme and the PMU, largely because the NOU was unable to fund awareness activities with the limited funds from the institutional strengthening project. The Secretariat clarified to the Government of France that while there is certain flexibility in the refrigeration servicing sector, the transfer of allocated funds from substantive activities to the PMU would require approval from the Executive Committee. The Government of France adjusted the allocation of funds requested for PMU under the third tranche to US \$12,380 in order to avoid surpassing the US \$100,000 approved for this component. The balance (US \$163,870) will be used for activities in the refrigeration servicing sector.

Conclusion

19. Kenya's HCFC consumption in 2014 was 24.80 ODP tonnes, which is already 52.5 per cent below the HCFC consumption baseline and 47.2 per cent below the 2015 control measure. During the

implementation of the second tranche, the Government of Kenya achieved additional progress in the approved activities, including the training of additional technicians and distribution of recovery equipment to service enterprises. The Government successfully addressed several of the HCFC import license and quota system's issues identified in the 2013 consumption verification report; the National Electronic Licensing Single Window System currently being finalized will continue strengthening HCFC imports control. The next verification report would need to follow up on the effectiveness of the updated system. Based on the above, the Secretariat recommends blanket approval of funding for the third tranche.

RECOMMENDATION

20. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan (HPMP) in Kenya;
- (b) Notes the progress made by the Government of Kenya in improving its licensing and quota system and encouraging the Government of Kenya to continue its efforts to improve it; and
- (c) Requests the Government of Kenya with the assistance from the Government of France to continue improving the licensing and quota system and to report annually on this matter through the progress and financial report submitted to the Executive Committee by the Government of France.

21. The Fund Secretariat further recommends blanket approval of the third tranche of stage I of the HPMP for Kenya, and the corresponding 2015-2016 tranche implementation plan, at the funding level shown in the table below, on the understanding that if Kenya 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.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (stage I, third tranche)	176,250	21,346	France