



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/77/52
2 November 2016

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-seventh Meeting
Montreal, 28 November - 2 December 2016

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, fourth 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: 2015	20.6 (ODP tonnes)
---	------------	-------------------

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2015	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Serviceing				
HCFC-22					20.6				20.6

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	52.2	Starting point for sustained aggregate reductions:	52.2
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	11.00	Remaining:	41.20

(V) BUSINESS PLAN		2016	2017	Total
France	ODS phase-out (ODP tonnes)	2.2	1.1	3.3
	Funding (US \$)	197,596	100,900	298,496

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	52.2	52.2	47.0	47.0	47.0	n/a
Maximum allowable consumption (ODP tonnes)			n/a	52.2	52.2	47.0	47.0	41.2	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\$)		Project costs	257,500	0	200,000	176,250	0.0	0.0	633,750
		Support costs	31,186	0	24,222	21,346	0.0	0.0	76,754
Total funds requested for approval at this meeting (US\$)		Project costs	0	0	0	0	176,250	0	176,250
		Support costs	0	0	0	0	21,346	0	21,346

Secretariat's recommendation:	Blanket approval
--------------------------------------	------------------

PROJECT DESCRIPTION

1. On behalf of the Government of Kenya, the Government of France, as the designated implementing agency, has submitted to the 77th meeting a request for funding for the fourth 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 \$21,346¹. The submission includes a progress report on the implementation of the third tranche, the verification report on HCFC consumption and the tranche implementation plan for 2017.

Report on HCFC consumption

HCFC consumption

2. The Government of Kenya reported 2015 HCFC consumption of 20.6 ODP tonnes mentioned below. The 2011-2015 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Kenya (2011-2015 Article 7 data)

HCFC-22	2011	2012	2013	2014	2015	Baseline
Metric tonnes	884.00	770.00	529.80	450.88	374.62	948.15
ODP tonnes	48.62	42.35	29.14	24.80	20.6	52.20

3. HCFC consumption in Kenya has been decreasing since 2010 due to increase in the number of non-HCFC-22 based refrigeration and air-conditioning (RAC) equipment imported into the country, reduction in use of HCFC-22 for flushing through training, awareness and the reduction of HCFC-stockpiled in the market. In 2015, HCFC consumption was 60 per cent below the baseline and 56 per cent below the allowable level for that year (i.e., 46.98 ODP tonnes).

Verification report

4. The verification report concludes that the consumption of HCFCs in Kenya in 2015 was 374.62 mt (20.60 ODP tons) based on the licenses issued to the importers; this data was reported under Article 7 of the Montreal Protocol and the country programme implementation report. However, the import of HCFCs recorded by Kenya Revenue Authority (KRA) for the year 2015 was 155.52 mt. The verification report concluded that the system in place is capable of ensuring the country's compliance with the Montreal Protocol's phase-out schedule; however it also identified the need to enhance the coordination of the Ozone authorities with KRA that controls customs, and to reconcile data on imports and exports of HCFCs.

Country programme (CP) implementation report

5. The Government of Kenya reported HCFC sector consumption data under the 2015 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

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

Legal framework

6. NEMA has introduced changes to the licensing system to ensure that all HCFC import/export licenses were only issued with validity for a calendar year, and to allow importers to apply for licenses

¹ As per the letter of 30 September 2016 from the Ministry of Environment and Natural Resources to the Government of France.

online. NEMA is also working on processes for enhancing communication with importers to further strengthen the import monitoring system.

7. For strengthening HCFC import and export monitoring and control, the following activities were implemented:

- (a) KRA has agreed to issue letters confirming receipt of the name of importers, quantity of refrigerant to be imported against the license and permit issued for 2016;
- (b) KRA has been informed in September 2016 that ODS refrigerants and equipment dependent on ODS cannot be imported without required licenses; and
- (c) The National Electronic Licensing Single Window System (NELSWS) will commence operating on a pilot basis with ODS imports from November 2016. This system would be supported by communication on import licenses and quantities by KRA with NEMA and more follow-up with licensed importers for data collection and monitoring.

8. The National Ozone Unit (NOU) and the Legal Department of the Ministry of Environment and Natural Resources are considering inclusion of certification of RAC technicians, controls on equipment dependent on ODS and licenses and quotas for imports of HFCs into the existing regulations.

Refrigeration servicing sector

9. The following activities were implemented:

- (a) One training programme for 29 customs and enforcement officers was conducted in Kenya School of Revenue Administration (KESRA) on HCFC import and export control and monitoring, identification of refrigerants, and new import data management system. Several meetings were held with KRA on strengthening enforcement in border posts; and in November 2016, trainings at six border post for 50 trainees would be conducted;
- (b) Two trainers were sent to receive training on handling natural refrigerants. Seven training courses were conducted with 467 technicians trained on safe use of hydrocarbons (HC) and good servicing practices for equipment using HCs and two additional training courses are planned to be completed in 2016. An additional 1,400 technicians were trained indirectly through courses at universities;
- (c) For training of technicians, training institutes were provided with R-600a equipment, nitrogen cylinders and servicing tools. These institutes already have R-290 based air-conditioners for training; and
- (d) Awareness activities were limited to advertisements in the local newspapers, celebrations of the International Ozone Day where information was disseminated on preservation of the Ozone Layer; and the phase-out of HCFCs.

Project implementation and monitoring unit (PMU)

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

Level of fund disbursement

11. As of the end of September 2016, of the US \$633,750 so far approved, US \$545,375 has been disbursed. The balance of US \$88,375 will be disbursed by July 2017 (Table 2).

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

Agency	First tranche		Second tranche		Third tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
France	257,500	257,500	200,000	200,000	176,250	87,875	633,750	545,375
Disbursement rate (%)	100		100		50		86	

Implementation plan for the fourth tranche of the HPMP

12. The following activities will be implemented:

- (a) *Enforcement and amendment of ODS regulations (US \$47,000)*: Three training sessions for at least 40 customs officers and law enforcement officers on the HCFC control measures, identification of refrigerants, and the import data management system; support to NEMA and KRA for monitoring HCFC permit system; and amending existing regulations to include permit system for all refrigerants;
- (b) *Refrigeration and air-conditioning (RAC) sector (US \$130,000)*: Training of 200 refrigeration technicians; procurement and distribution of five tool kits for good service practices (e.g., manifold, vacuum pumps, recovery and recycling units) and five CO₂-based bottle coolers;
- (c) *Awareness and stakeholder participation and involvement (US \$25,000)*: At least two awareness workshops for stakeholders on control measures and phase-out of HCFCs; one workshop for decision makers on implementation of HPMP and decisions relating to HCFC-free alternatives; general awareness activities on ODS phase-out for greater involvement of stakeholders and higher visibility; and
- (d) *PMU (US \$38,054)*: Support to PMU for monitoring implementation of the HPMP; verification of consumption for 2016. 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**Report on HCFC consumption*Issues identified in the licensing and quota system*

13. The third tranche request for the HPMP was approved at the 75th meeting on the understanding that the HCFC licensing system will be strengthened. However, the verification report for 2015 identified issues relating to the HCFC import and export licensing system and the monitoring system. Moreover, the Government in the endorsement letter for the request of the fourth tranche of the HPMP acknowledged the challenges existing in implementing the licensing and quota system and provided a list of actions that they would be undertaking from 2016 to strengthen the system summarized below:

- (a) NEMA has written to KRA informing them that ODS refrigerants and equipment dependent on ODS should not be cleared without licenses issued. This will ensure that no importation is made without required licenses;
- (b) KRA would confirm by writing to the NOU that copies of import licenses and permits issued for the calendar year 2016 have been received. In the letter, KRA will indicate the name of importer and quantities of refrigerant to be imported against each license and permit issued. This is expected to address NOU, NEMA and KRA data reconciliation issues;
- (c) Through implementation of the new NELSWs system, goods cannot be cleared for import without import license;
- (d) KRA has a fully designated officer to handle the documentation from NEMA related to ODS imports; to coordinate with the ports where the ODS is expected to land; and to monitor the imports;
- (e) NEMA has trained its officers to follow up on enforcement at the border posts. Customs officers training will only be resumed once the NELSWs is operational; and
- (f) NEMA and the NOU will follow up regularly with the licensed importers to ensure that all imports are documented accurately. This will strengthen data reporting by addressing data discrepancy issues.

14. The Secretariat acknowledges NEMA's progress in addressing the issues identified in the 2015 verification report on the licensing and quota system. It is expected that the above measures, coupled with information outreach and training activities planned for 2017 would address the challenges faced by Kenya in implementing a strong licensing and quota system.

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

Legal framework

15. The Government has established an import quota of 24.91 ODP tonnes for 2016, and allocated it to 15 importers.

Refrigeration servicing sector

16. Upon request for clarification, the Government of France reported that the modalities of certification system for service technicians handling HC-based refrigerants are under consideration by NEMA and through amendment of ODS regulations. Once these issues are addressed, the certification of technicians will become mandatory.

17. The Government of France confirmed that the Government of Kenya is fully aware of the safeguards that need to be undertaken while promoting the use of flammable refrigerants² in the country, and further confirmed that the service sector activities are taking all safeguards into consideration. Measures are taken for greater involvement of service technicians through Heating Ventilation Air-Conditioning Kenya (HEVAC); training institutes are being equipped with infrastructure for conducting training of technicians which includes safe use of flammable refrigerants. With the combination of active involvement of HEVAC, equipment support to training institutes and ongoing

² Decisions 72/17 and 73/34.

consultations on regulations for certification, the Government expects to achieve sustainable training of technicians.

18. Furthermore, no retrofit of equipment using HC-based refrigerants will be conducted without implementation of safe standards for such conversion as per international norms.

Revision of the budget of the activities included in stage I

19. At the 74th meeting, the Government of France adjusted the allocation of funds requested for the PMU component under the third tranche to US \$12,380 in order to avoid surpassing the original approved budget of US \$100,000. The current financial report shows that expenditures incurred on awareness activities and PMU amount to US \$55,078 and US \$99,100, respectively which results in limited resources for future activities under these components.

20. Upon request for clarification, the Government of France explained that the budget has to be revised to increase the budget for awareness and for project implementation and monitoring activities and at the same time, adjust the funding associated with training of technicians and equipment support activities. These adjustments are required to achieve the proposed targets within the approved budget. The revised budget is shown in Table 3.

Table 3. Revised overall cost for stage I of the HPMP in Kenya (US \$)

Components	Original budget (US \$)	Revised budget (US \$)
Policy and regulatory framework	220,000	218,000
Technical assistance to RAC servicing sector	520,000	443,750
Awareness programme	60,000	93,000
Project implementation and monitoring unit	100,000	145,250
Total	900,000	900,000

Conclusion

21. The HCFC consumption in 2015 was 20.6 ODP tonnes, which was already about 56 per cent below the allowable level for the year. The Government has recognised the challenges that exist in implementing the licensing and quota system and has identified several actions to strengthen data management and controls on HCFC import and exports. Training of additional technicians has been completed and equipment to service training institutions has been distributed. The budgets have been revised taking into consideration the specific needs to successfully implement the overall HPMP.

RECOMMENDATION

22. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan (HPMP) for Kenya; and notes the progress made by the Government of Kenya in improving its licensing and quota system and encourages the Government of Kenya to continue its efforts to improve it.

23. The Fund Secretariat further recommends blanket approval of the fourth tranche of stage I of the HPMP for Kenya, and the corresponding 2017 tranche implementation plan, at the funding level shown in the table below, on the understanding that:

- (a) Future tranches of stage I and/or stage II of the HPMP for Kenya would be considered only after satisfactory resolution of the issues related to the import and export licensing and quota system of HCFCs identified in the verification report, and confirmed by an independent verification report; and

- (b) 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, fourth tranche)	176,250	21,346	France
