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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

PROJECT PROPOSAL: EQUATORIAL GUINEA

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/fourth tranche) UNEP/UNIDO

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Equatorial Guinea**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNEP (lead), UNIDO	65 th	35 per cent by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2017	0.01 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2017	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					0.01				0.01

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	6.31	Starting point for sustained aggregate reductions:	2.5
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.87	Remaining:	1.63

(V) BUSINESS PLAN		2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.45	0.0	0.21	0.65
	Funding (US \$)	73,450	0	33,900	107,350
UNIDO	ODS phase-out (ODP tonnes)	0.52	0.0	0.0	0.52
	Funding (US \$)	81,750	0	0	81,750

(VI) PROJECT DATA		2011	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits		n/a	6.29	6.29	5.66	5.66	5.66	5.66	5.66	4.09	n/a	
Maximum allowable consumption (ODP tonnes)		n/a	6.29	6.29	5.66	5.66	5.66	2.25	2.25	1.63	n/a	
Agreed funding (US\$)	UNEP	Project costs	40,000	30,000	0	0	0	0	45,000	0	30,000	145,000
		Support costs	5,200	3,900	0	0	0	0	5,850	0	3,900	18,850
	UNIDO	Project costs	75,000	0	0	0	0	0	60,000	0	0	135,000
		Support costs	6,750	0	0	0	0	0	5,400	0	0	12,150
Funds approved by ExCom (US\$)	Project costs	115,000		0	30,000	0	0	0	0	0	145,000	
	Support costs	11,950	0	0	3,900		0	0	0	0	15,850	
Total funds requested for approval at this meeting (US\$)	Project costs							105,000				
	Support costs							11,250				

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Equatorial Guinea, UNEP as the lead implementing agency, has submitted a request for funding for the combined third/fourth tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$116,250, consisting of US \$45,000, plus agency support costs of US \$5,850 for UNEP, and US \$60,000, plus agency support costs of US \$5,400 for UNIDO.¹ The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption for 2012 to 2017, and the tranche implementation plan for 2018 to 2020.

Background

2. The third tranche of stage I of the HPMP for Equatorial Guinea was due for submission to the 76th meeting but was not submitted due to delays in the implementation of activities including the verification report due to the security situation in the country. A request for the combined third (2016) and fourth (2018) tranche for the HPMP was submitted to the 81st meeting, but subsequently withdrawn as the Secretariat had raised concerns that the reported levels of HCFC-22 consumption might be over-estimated and that the licensing system was not operational. The Secretariat proposed that the tranche could be resubmitted to the 82nd meeting when the licensing system was operating and the quota system was functional. The Secretariat requested UNEP to discuss with the country the submission of revised consumption data from 2012 to 2017 (both country programme data (CP) and Article 7 data), to adjust the starting point for aggregate reductions in HCFC consumption, and to revise the Agreement between the Government and the Executive Committee. The Secretariat also proposed that the remaining (unfunded) tranches of the HPMP should include activities to strengthen the legislative framework in the country, including the licensing and quota system, training of customs authorities, and to supply spare parts needed for the equipment purchased under the UNIDO component for the two vocational centres, and also that UNEP could provide special Compliance Assistance Programme (CAP) services, outside the funding under the HPMP, to Equatorial Guinea to support the implementation of the HPMP.

3. The Government of Equatorial Guinea recognized the need to strengthen the licensing and quota system and has taken a number of steps to operationalize the system. The country has also revised its CP and Article 7 data for 2012 to 2017, adjusted the starting point for aggregate reductions in HCFC consumption, and through UNEP, has submitted the combined third/fourth tranche of stage I of the HPMP.

Report on HCFC consumption

Verification report

4. The verification report noted that the Customs department was not computerized, lacked refrigerant identifiers, knowledge of Harmonized System (HS) codes, and thus did not have the capacity to control the imports of HCFC-22, and that imports were made from 2012 to 2017 without the proper authorization or quotas.

5. The verification report confirmed that the verified import data from the Customs department match the verified data from the importers with the exception of one importer that for which no imports were recorded, as shown in Table 1.

¹ As per the letter of 14 September 2018 from the Ministry of Agriculture, Livestock, Forestry, and the Environment of Equatorial Guinea to the Secretariat.

Table 1. HCFC imports in Equatorial Guinea (Verified Customs and importers data)

Official importers (mt)	2012	2013	2014	2015	2016	2017
Importer 1	11.00	10.80	9.00	9.40	5.00	0.00
Importer 2	12.50	11.00	9.50	9.00	7.60	0.07
Importer 3	15.00	14.50	14.00	8.40	6.00	0.18
Importer 4	0.00	0.00	0.00	0.00	0.00	0.00
Importer 5						
Importer 6						0.00
Total	38.50	36.30	32.50	26.80	18.60	0.25
Customs records	2012	2013	2014	2015	2016	2017
Importer 1	11.00	10.80	9.00	9.40	5.00	0.00
Importer 2	12.50	11.00	9.50	9.00	7.60	0.06
Importer 3	15.00	14.50	14.00	9.60	8.20	0.11
Importer 4	0.00	0.00	0.00	0.00	0.00	0.00
Importer 5	10.00	9.20	8.70	8.00	5.50	
Importer 6						0.001
Totals	48.50	45.50	41.20	36.00	26.30	0.17

Recommendation of the verification report

6. The verification report presented a number of recommendations including: strengthening the training of customs officers; providing at least one refrigerant identifier per port of entry or customs control; implementing a computerized customs system; strengthening legislation to support implementation of the HPMP; awareness raising of customs officer and stakeholders including on counterfeit and contaminated refrigerants; monitoring of sales outlets by the Directorate General for the Environment for contaminated refrigerants; training RAC technicians; training importers, customs brokers, service shops and retailers on the licensing system as well as the refrigerant identification and HS codes; strengthen coordination between the customs and environmental services; conduct more public awareness campaigns; carry out border checks.

Revision of Article 7 data and starting point

7. The Government of Equatorial Guinea submitted revised Article 7 data for 2012 to 2017 to the Ozone Secretariat, based on the verified customs import data for those years, which the Government considers to be the most reliable data, as shown in Table 2. The verification report confirmed that, despite the fact that there were no quotas due to the lack of an operational licensing system, HCFC-22 consumption gradually declined from 2012 to 2016 and decreased to almost zero in 2017.

Table 2. HCFC consumption in Equatorial Guinea (2013-2017 Article 7 data)

HCFC-22	2013	2014	2015	2016	2017	Baseline
Metric tonnes	45.50	41.20	36.80	26.30	0.18	114.72
ODP tonnes	2.50	2.27	1.98	1.45	0.01	6.31

8. The Government of Equatorial Guinea reported a consumption of 0.01 ODP tonnes of HCFC in 2017, which is 99 per cent below the HCFC baseline for compliance. The country considers that the decrease in HCFC consumption to 0.01 ODP tonnes in 2017 could be due to either a failure of one or more importers to declare the quantities imported or the use of stockpiles from previous years when the licensing and quota system was not operational. The national ozone unit (NOU) plans to carefully monitor HCFC consumption in 2018 to understand the trend.

9. At the 65th meeting, the starting point for aggregated reductions on HCFC consumption was estimated as 6.29 ODP tonnes, based on the average level of consumption of 6.22 ODP tonnes for 2009 and 6.36 ODP tonnes for 2010 from the surveys conducted for the preparation of stage I of the HPMP. Noting

that the verified HCFC consumption levels between 2012 and 2017 were much lower than the starting point of 114.4 mt, the Government revised the starting point to 45.5 mt (2.5 ODP tonnes) based on the 2013 HCFC consumption reported under Article 7 .

10. The total funding that was approved in principle for the period 2011-2020 amounted to US \$315,000, excluding agency support costs. Based on the revised starting point (45.5 mt), the funding level would be adjusted to US \$280,000 (i.e., a reduction of US \$35,000), in line with decision 60/44(f)(xii).

Country programme (CP) implementation report

11. The Government of Equatorial Guinea submitted revised HCFC sector consumption data for 2012 to 2017 which reflected the revised data reported under Article 7 of the Montreal Protocol.

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

Legal framework

12. The Government of Equatorial Guinea has implemented the sub-regional regulations of the “Communauté Economique et Monétaire de l’Afrique Centrale” (CEMAC) that harmonizes the management of controlled substances, including HCFCs in the sub-region. The regulatory and legal framework for controlling the importation and distribution of HCFCs was approved in 2003. The Government issued a ministerial decree (3/2017) and a memorandum (no. 307 of 20 July 2017) establishing ODS import quotas from 2018 to 2020. The Directorate General of Environment distributes the quota among the authorised importers and issues the import permits, and communicates the quotas allocated to the Customs department for monitoring.

Refrigeration servicing sector

13. The activities implemented under the second tranche are as follows:

- (a) A total of 76 customs officers and 69 environment inspectors were trained on the identification and control of HCFCs and HCFC-based equipment; and one workshop on data collection and analysis was also conducted; and
- (b) A total of 144 refrigeration and air-conditioning (RAC) technicians received training on good practices in refrigeration including the safe handling of hydrocarbon-based refrigerants, and standards.

14. UNIDO had no funding or activities under the second tranche.²

Project implementation and monitoring unit (PMU)

15. The National Ozone Unit (NOU), assisted by an expert in refrigeration, monitored the HPMP activities and collected the relevant data.

Level of fund disbursement

16. As of September 2018, of the US \$145,000 approved so far, US \$144,961 had been disbursed (US \$70,000 for UNEP and US \$74,961 for UNIDO) as shown in Table 3.

² See document UNEP/OzL.Pro/ExCom/74/30 for a report of the activities implemented by UNIDO under the first tranche of stage I of the HPMP for Equatorial Guinea.

Table 3. Financial report of stage I of the HPMP for Equatorial Guinea (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNEP	40,000	40,000	30,000	30,000	70,000	70,000
UNIDO	75,000	74,961	0	0	75,000	74,961
Total	115,000	114,961	30,000	30,000	145,000	144,961
Disbursement rate (%)	99.70		100		99.97	

Implementation plan for the combined third/fourth tranche of the HPMP

17. Based on the revised funding level of US \$280,000, the Government had proposed an adjustment to the tranche distribution, with one tranche in 2018, which combined the third (2016) and fourth (2018) tranches, in the amount of US \$105,000, and the last tranche in 2020 in the amount of US \$30,000. The proposed activities and funding levels to be implemented are shown in Table 4.

Table 4. Revised budget for stage I of the HPMP for Equatorial Guinea (US \$)

Project title	Agency	2011	2013	2018*	2020	Total
Strengthening national capacities (customs, environment inspectors, Department of Commerce) for monitoring and controlling the import and distribution of HCFCs	UNEP	15,000	10,000	10,000	10,000	45,000
Strengthening technical capacity of refrigeration expert in good practices in refrigeration	UNEP	15,000	10,000	25,000	10,000	60,000
Strengthening of centres of excellence and major refrigeration workshops, and incentives for conversion of refrigeration equipment	UNIDO	75,000	0	60,000	0	135,000
Monitoring and evaluation of the implementation of HPMP	UNEP	10,000	10,000	10,000	10,000	40,000
Total		115,000	30,000	105,000	30,000	280,000

*The 2018 tranche combines funding from the 2016 and 2018 tranches of UNEP.

18. The activities that will be implemented during the third/fourth tranches are the following:

- (a) Training (in Spanish) of 30 customs officers and 20 environmental inspectors on the control and identification of ODS and ODS-based equipment in order to strengthen national capacities for monitoring and controlling the import and distribution of HCFCs and control of illegal trade (UNEP) (US \$10,000);
- (b) Four training workshops (in Spanish) to train a total of 100 technicians in good practices in refrigeration and safe use of hydrocarbons (UNEP) (US \$25,000);
- (c) Strengthening of two regional training centres and establishment of one new one through the provisions of tools and spare parts; two weeks of trainer training focussing on good servicing practices, introduction of hydrocarbon servicing, and implementation of a leak reduction programme; (UNIDO) (US \$60,000); and
- (d) Continuous monitoring of project implementation and regular collection of data to measure progress against performance criteria (UNEP) (US \$10,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Legal framework

19. The verification report concluded that the licensing and quota system was not operational from 2012 to 2017. The Secretariat has received a letter from the Government of Equatorial Guinea confirming that an enforceable national system of licensing and quotas for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol.³ The Government also recognizes that it needs to be strengthened.

20. The HCFC import quota for 2018 has been established at 33.804 mt (1.86 ODP tonnes), which is lower than the Montreal Protocol control targets; the annual quotas for 2019 and 2020 will be revised based on the findings of the verification report and in line with the modified maximum allowable consumption in 2019 and 2020. The Government of Equatorial Guinea and UNEP proposed to submit a report on progress in the continuing work to ensure the operation of the licensing system to the 84th meeting.

Actions related to the verification report

21. Following the withdrawal of the submission to the 81st meeting, the NOU has been confirming the registration of companies that import, supply, use or handle HCFCs as well as all technicians who handle ODS and other refrigerants. Only registered companies are allowed to sell HCFCs and must use a log book to record data on HCFCs to be submitted to the NOU. The NOU has established a list of registered importers and a database on imported quantities of ODS in order to assure reliable data on HCFCs import and exports. Furthermore, the National Ozone Committee plans to consult stakeholders including *inter alia* government departments, ODS importers and suppliers, servicing technicians, end-users, and environmental organizations and agree on measures to stabilize the licensing system and ensure the quota system is functional.

22. UNEP further confirmed that the country will take into account all the recommendations of the verification report including the provision of refrigerant identifiers, the computerized customs system, and strengthening of legislation will be addressed in stage II of the HPMP. The country will continue to address the other recommendations as part of the ongoing implementation of stage I of the HPMP.

Request for submission of the combined third and fourth tranche

23. The Secretariats consider adequate the submission of the combined third and fourth tranches of stage I, noting the reduction in funding as a result of the revised starting point, and the need to ensure an operational licensing and quota system, strengthen the knowledge of customs officers, and improve the skills of the refrigeration servicing technicians.

24. UNEP also confirmed that through the CAP, it will assist the country to raise the awareness of customs and environment officers to the importance of monitoring and control of HCFCs, national legislation, licensing system, quotas and bans related to HCFCs and HCFC-containing equipment/products. CAP will also provide relevant information products and CAP factsheets. UNEP also plans to conduct an annual mission to Equatorial Guinea to assist the NOU with data collection and reporting issues.

³ Ibid.

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

25. The revised starting point for sustained aggregate reduction in HCFC consumption of 2.5 ODP tonnes resulted in adjustments to the funding tranches of stage I of the HPMP that had not already been approved. Similarly, paragraph 1 of Appendices 1-A and 2-A of the Agreement between the Government of Equatorial Guinea and the Executive Committee has been modified.

26. Paragraph 16 of the Agreement has been added to indicate that the revised updated Agreement supersedes the Agreement approved at the 65th meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 82nd meeting.

Conclusion

27. The submission of the third (2016) tranche request under stage I has been delayed for two years due to the security situation in the country, and the lack of an operational licensing and quota system. The Secretariat noted the efforts of the Government of Equatorial Guinea to ensure the operation of the licensing and quota system, that a quota had been set for 2018, and that the Government had assured that the system was now operational. The Secretariat acknowledged the revision of the starting point from 6.29 to 2.5 ODP tonnes based on the verification report on HCFC consumption for the period 2012 to 2017; the revised phase-out strategy to take into account and the adjustment to the funding levels; and the UNEP CAP services being provided to the country outside the HPMP. The Secretariat also noted the proposal of the Government to submit a report on progress to ensure the stabilization the licensing system and that the Government will monitor HCFC imports and use in 2018 to clarify the reason for large drop in HCFC consumption in 2017.

28. Despite the challenges faced by the country, the Government has taken prompt action to address the licensing and quota system. The level of fund disbursement is almost 100 per cent. Together with assistance from UNEP CAP, the activities planned under the combined third/fourth tranche will strengthen the servicing sector, and will focus on strengthening the monitoring of the country's licensing system and data reporting, to enable the country to meet its compliance obligations under the Protocol. UNEP and UNIDO also confirmed that they will be able to implement the phase-out activities being proposed.

RECOMMENDATION

29. 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) in Equatorial Guinea;
 - (ii) That the Fund Secretariat had updated paragraphs 1 and 2, Appendices 1-A and 2-A of the Agreement between the Government of Equatorial Guinea and the Executive Committee, based on the revised starting point for sustained aggregate reduction in HCFC consumption, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 65th meeting, as contained in Annex I to the present document;
 - (iii) That the revised starting point for sustained aggregate reduction in HCFC consumption was 2.5 ODP tonnes, based on the verification report submitted to the 82nd meeting and calculated using the HCFC consumption of 2013, and that the revised funding level for stage I of the HPMP for Equatorial Guinea was US \$280,000 plus agency support costs, in accordance with decision 60/44(f)(xii);

- (b) Approving the third/fourth tranches of stage I of the HPMP for Equatorial Guinea, and the corresponding 2018-2020 tranche implementation plan, in the amount of US \$116,250, consisting of US \$45,000, plus agency support costs of US \$5,850 for UNEP; and US \$60,000, plus agency support costs of US \$5,400 for UNIDO on the understanding that:
 - (i) Approval of further funding would be subject to issues identified in the verification report being satisfactorily addressed;
 - (ii) The Government of Equatorial Guinea submits a progress report to the second meeting of the Executive Committee in 2019 on HCFC consumption trends and progress made to ensure an operational licensing and quota system, to address the recommendations of the verification report including *inter alia* the need to improve the HCFC data reporting and monitoring capacity of the NOU;
- (c) Requesting UNEP:
 - (i) To provide a report to the first meeting of 2019 on the status of the signing of the agreement with the Government of Equatorial Guinea for the third/fourth tranche of stage I of the HPMP; and
 - (ii) To provide assistance to support implementation of stage I of the HPMP for Equatorial Guinea through its Compliance Assistance Programme, and to submit a report to the second meeting of 2019 on the assistance provided.

Annex I

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

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of Equatorial Guinea (the “Country”) 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 **1.63 ODP tonnes** by 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of the Equatorial Guinea and the Executive Committee at the 65th 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	2.50

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2011	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	6.29	5.66	5.66	5.66	5.66	5.66	4.09	6.29	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	6.29	6.29	5.66	5.66	5.66	2.25	2.25	1.63	n/a	
2.1	Lead IA (UNEP) agreed funding (US \$)	40,000	0	0	30,000	0	0	45,000	0	30,000	145,000	
2.2	Support costs for Lead IA (US \$)	5,200	0	0	3,900	0	0	5,850	0	3,900	18,850	
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	75,000	0	0	0	0	0	60,000	0	0	135,000	
2.4	Support costs for Cooperating IA (US \$)	6,750	0	0	0	0	0	5,400	0	0	12,150	
3.1	Total agreed funding (US \$)	115,000	0	0	30,000	0	0	105,000	0	30,000	280,000	
3.2	Total support costs (US \$)	11,950	0	0	3,900	0	0	11,250	0	3,900	31,000	
3.3	Total agreed costs (US \$)	126,950	0	0	33,900	0	0	116,250	0	33,900	311,000	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											0.87
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											1.63