



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/85/28  
27 April 2020

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL

Eighty-fifth Meeting  
Montreal, 25-29 May 2020  
Postponed to 19-22 July 2020\*

**PROJECT PROPOSAL: GUATEMALA**

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, fifth tranche) UNIDO and UNEP

\* Due to coronavirus disease (COVID-19)

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

## Guatemala

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out management plan (stage I)	UNEP, UNIDO (lead)	64 <sup>th</sup>	35 per cent by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2018	4.31 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2018	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0				0
HCFC-124									
HCFC-141b					0.57				0.57
HCFC-141b in imported pre-blended polyols		0							
HCFC-142b									
HCFC-22					3.54				3.54
HCFC-225cb									

(IV) CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	8.3	Starting point for sustained aggregate reductions:	9.7
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	4.3	Remaining:	5.4

(V) BUSINESS PLAN		2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.0	0.0
	Funding (US \$)	0	0
UNIDO	ODS phase-out (ODP tonnes)	0.3	0.3
	Funding (US \$)	35,475	35,475

(VI) PROJECT DATA		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits		n/a	n/a	8.3	8.3	7.5	7.5	7.5	7.5	7.5	5.4	n/a	
Maximum allowable consumption (ODP tonnes)		n/a	n/a	8.3	8.3	7.5	7.5	7.5	7.5	7.5	5.4	n/a	
Agreed funding (US\$)	UNEP*	Project costs	28,250	0	0	0	30,184*	0	0	23,250	0	0	81,684*
		Support costs	3,673	0	0	0	3,924*	0	0	3,023	0	0	10,620*
	UNIDO	Project costs	118,087	97,925	0	0	53,775	0	0	42,850	0	33,000	345,637
		Support costs	8,857	7,344	0	0	4,033	0	0	3,214	0	2,475	25,923
Funds approved by ExCom (US \$)	Project costs	146,337	97,925	0	0	83,959*	0	0	66,100	0	0	394,321*	
	Support costs	12,530	7,344	0	0	7,957*	0	0	6,237	0	0	34,068*	
Total funds requested for approval at this meeting (US \$)	Project costs										33,000	33,000	
	Support costs										2,475	2,475	

\* Including deduction of the penalty clause of 15 per cent applied to the agreed funding of US \$45,000 and agency support costs of US \$5,850 for the third tranche (decision 75/59(e)).

<b>Secretariat's recommendation:</b>	Blanket approval
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## PROJECT DESCRIPTION

1. On behalf of the Government of Guatemala, UNIDO as the lead implementing agency, has submitted a request for funding for the fifth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$33,000, plus agency support costs of US \$2,475 for UNIDO only.<sup>1</sup> The submission includes a progress report on the implementation of the fourth tranche, and the tranche implementation plan for 2020 to 2021.

### Report on HCFC consumption

2. The Government of Guatemala estimated a consumption of 3.19 ODP tonnes of HCFC in 2019, which is 62 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in Guatemala (2015-2019 Article 7 data)**

HCFC	2015	2016	2017	2018	2019*	Baseline
<b>Metric tonnes (mt)</b>						
HCFC-22	61.80	66.97	49.66	67.97	50.78	126.9
HCFC-123	0.00	0.45	0.73	0.00	0.54	0.1
HCFC-124	0.49	0.00	0.00	0.00	0.00	5.2
HCFC-141b	9.89	17.29	5.53	5.22	3.59	9.8
HCFC-142b	0.00	0.00	0.00	0.00	0.00	1.7
<b>Total (mt)</b>	<b>72.18</b>	<b>84.71</b>	<b>55.93</b>	<b>73.19</b>	<b>54.91</b>	<b>143.8</b>
HCFC-141b in imported pre-blended polyols**	13.81	7.74	0.27	0.00	0.00	12.73***
<b>ODP tonnes</b>						
HCFC-22	3.40	3.68	2.73	3.74	2.79	7.0
HCFC-123	0.00	0.01	0.01	0.00	0.01	0.0
HCFC-124	0.01	0.00	0.00	0.00	0.00	0.1
HCFC-141b	1.09	1.90	0.61	0.57	0.39	1.1
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.1
<b>Total (ODP tonnes)</b>	<b>4.50</b>	<b>5.59</b>	<b>3.36</b>	<b>4.31</b>	<b>3.19</b>	<b>8.3</b>
HCFC-141b in imported pre-blended polyols**	1.52	0.85	0.03	0.00	0.00	1.4***

\* HPMP estimation.

\*\* Country programme data.

\*\*\* Average consumption between 2007 and 2009.

3. Since 2015, HCFC consumption has been maintained below the quotas issued by the Government due to the strict enforcement of the licensing system and the implementation of the activities included in the HPMP, including capacity building activities for customs officers and refrigeration technicians, and technical assistance provided to the refrigeration servicing sector. HCFC consumption has also been reduced with the increased imports of non-HCFC-based refrigeration and air-conditioning (RAC) equipment. In 2017 and 2019, there were sharp reductions of HCFC-22 consumption as not all of the eight importers used their annual quotas for HCFCs owing to an import tax; this trend is expected to continue. There was no import of HCFC-141b contained in pre-blended polyols since 2018 due to the complete phase-out in the foam sector.

### *Country programme (CP) implementation report*

4. The Government of Guatemala reported HCFC sector consumption data under the 2018 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

<sup>1</sup> As per the letter of 13 March 2020 from the Ministry of Environment and Natural Resources of Guatemala to UNIDO.

The 2019 CP implementation report will be submitted by 1 May 2020.

*Verification report*

5. The verification of HCFC consumption for 2018 to 2019 was being conducted prior to the submission of the fifth funding tranche; however, a mission to Guatemala was cancelled due to travel restrictions related to the COVID-19 pandemic. By the time of issuance of the present document, the report had not been submitted; however, UNIDO expects to submit it earlier than 12 weeks before the 86<sup>th</sup> meeting.

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

*Legal framework*

6. Guatemala continued to implement its HCFC licensing and quota system for imports and exports and collect customs data on HCFC trade. A new training module on ODS control was prepared as part of the regular customs training programme. Seven workshops trained an additional 247 customs officers in four cities focussing on controlled substances and their alternatives, and the prevention of illegal trade. Five refrigerant identifiers were purchased for customs offices. A monitoring programme has been implemented to ensure the ban on the manufacture and import of HCFC-based equipment is maintained. Guatemala participated in Operation Demeter-V<sup>2</sup> within the framework of the World Customs Organization, which resulted in the seizure of 83 HCFC-22-based air conditioners and nine inspections at customs sites.

7. The National Ozone Unit (NOU) approached the Guatemala Standards Commission (COGUANOR) to identify stakeholders and potential roles vis-à-vis the adoption of standards for handling flammable refrigerants. The labour competence standard for good practices in handling refrigerants and refrigeration systems, which will be used as a reference for the certification of RAC technicians, is being developed in alliance with the Technical Institute for Training and Productivity (INTECAP).

8. In line with decision 68/25, in January 2020 the Government of Guatemala implemented a ban on the import of HCFC-141b in bulk and contained in pre-blended polyols, but was subsequently withdrawn as the tariff heading included polyols and other non-ODS substances widely used in industry. The NOU has made an agreement with the Government to ban the import of HCFC-141b in bulk and in pre-blended polyols, which is expected to enter into force in October 2020. HCFC-141b contained in imported pre-blended polyols is no longer used in the foam sector and alternatives cleaning agents for the RAC sector have been promulgated in training workshops, instead of HCFC-141b pure.

*Refrigeration servicing sector*

9. The following activities were implemented:

- (a) Refrigeration training and certification programme through INTECAP and involvement of other institutions including the national association of technicians (ASFRIGUA), which had conducted a study to characterize the educational level of technicians in the refrigeration servicing sector and would actively participate in the validation of the code of conduct standard to be used for certification;

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<sup>2</sup> Operation Demeter-V, which was conducted from 1 to 30 September 2019, saw customs administrations' efforts turned to monitoring and controlling cross-border movements of environmentally sensitive commodities, and ensuring compliance with trade-related provisions stipulated by Multilateral Environmental Agreements (MEAs), including the Montreal Protocol. Demeter-V is a project under the General Plan of Operations of the Inter-Institutional Commission against Smuggling and Customs Fraud (COINCON).

- (b) Sixty-four meetings and workshops were held to train 1,200 of the estimated 4,000 technicians in the formal and informal sectors in Guatemala<sup>3</sup> in good service practices in refrigeration; and 238 RAC students in INTECAP were trained on low-global-warming-potential alternatives;
- (c) An energy-efficiency expert held two training sessions for RAC technicians at INTECAP facilities on the energy-efficiency of hydrocarbon (HC)-based equipment, and a meeting with Fogel, the enterprise manufacturing domestic and commercial refrigerators (and converted with the assistance from the Multilateral Fund) for improving the energy efficiency of the equipment being manufactured and assessing the associated incremental capital and operating costs;
- (d) An international consultant was hired to further elaborate the technician certification system; and the labour competence standard for good practices in handling refrigerants and the refrigeration systems that contain them is being formulated and will be validated by a technical group in 2020;
- (e) Purchase of servicing toolkits to strengthen additional training centres, including 10 R-290-based air conditioners, eight basic toolkits for servicing R-290 equipment, HC leak detectors, refrigerant identifiers and pressure gauges; and
- (f) A pilot Zero Leakage programme to promote refrigerant containment at an enterprise in the food processing/refrigerated transport sector; the report documenting the project is expected in late 2020.

#### *Project implementation and monitoring*

10. Monitoring and follow-up of project activities is undertaken by national experts under the supervision of the national ozone officer. A total of US \$42,719 have been disbursed on project monitoring activities during the eight years of implementation of stage I, including staff and consultants (US \$18,091), travel (US \$8,535) and workshops (US \$16,093).

#### Level of fund disbursement

11. As of March 2020, of the US \$394,321 approved so far, US \$341,953 had been disbursed (US \$296,828 for UNIDO and US \$45,125 for UNEP) as shown in Table 2. The balance of US \$52,368 will be disbursed in 2020.

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

Tranche		UNIDO	UNEP	Total	Disbursement rate (%)
First	Approved	118,087	28,250	146,337	100
	Disbursed	118,087	28,250	146,337	
Second	Approved	97,925	0	97,925	100
	Disbursed	97,925	0	97,925	
Third	Approved	53,775	30,184*	83,959	66
	Disbursed	52,469	2,985	55,454	
Fourth	Approved	42,850	23,250	66,100	64
	Disbursed	28,347	13,890	42,237	
Total	Approved	312,637	81,684	394,321	87
	Disbursed	296,828	45,125	341,953	

\*Including the 15 per cent penalty clause applied to the agreed funding of US \$45,000 for the third tranche (decision 75/59(c)).

<sup>3</sup> Estimate by ASFRIGUA.

Implementation plan for the fifth and final tranche of the HPMP

12. The following activities will be implemented until December 2021:
- (a) *Technical assistance for enhanced control of trade of HCFC-based substances and equipment*: training of an additional 80 customs and enforcement officers on controlled substances and their alternatives, and prevention of illegal trade; and finalization of the process for adoption of the standards for refrigerant handling (UNEP) (fund balances from ongoing tranches);
  - (b) *Technical assistance for reduction of HCFC use*: training on good refrigeration practices and certification of 500 RAC technicians; continue to work with INTECAP to institutionalize the certification system linking it with regional efforts to standardize training programmes in cooperation with UNEP; provision of tool-kits to training centers beyond INTECAP (equipment and tools to be determined based on needs); enhance the service provided through the reclaim of refrigerants especially to larger end-users and upgrade the recovery and reclaim centre and evaluate the option to purchase a reclaim unit; and establishment of an end-user programme for refrigerant containment to save electricity and reduce refrigerant leaks targeted at supermarkets, melon producers and service providers (UNIDO) (US \$27,000); and
  - (c) Project management and monitoring (UNIDO) (US \$6,000): staff and consultants (US \$3,000); and workshops/meetings (US \$3,000).

**SECRETARIAT'S COMMENTS AND RECOMMENDATION**

**COMMENTS**

*Verification report*

13. The fifth tranche of stage I of the HPMP requires the submission of a verification report. Noting that the completion of the verification report would be delayed for several months given the constraints arising from the COVID-19 outbreak, and that the estimated 2019 HCFC consumption was 62 per cent below the baseline, the Secretariat is recommending approval of this funding tranche request, on an exceptional basis and without setting a precedent, on the understanding that:

- (a) The Treasurer would be requested to transfer the approved funds to UNIDO;<sup>4</sup>
- (b) UNIDO had committed to submitting the verification report no later than 12 weeks prior to the 86<sup>th</sup> meeting;
- (c) The recommendations included in the verification report would be addressed during the implementation of the fifth tranche and that the actions implemented towards that end would be included in the progress report of stage I of the HPMP to be submitted as part of the country's request for its stage II of the HPMP; and
- (d) In the unlikely event of non-compliance by the Government of Guatemala with its Agreement with the Executive Committee, relevant actions would be taken by the Executive Committee.

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<sup>4</sup> Decision 72/19(b) states that if the verification report was not ready in time, transfer of approved funds to the agencies would occur only after receipt by the Secretariat of the verification report confirming that the country was in compliance. Given the current circumstances, it is proposed that, on an exceptional basis, the funds be transferred to the agency at the time of approval.

## Progress report on the implementation of the fourth tranche of the HPMP

### *Legal framework*

14. The Government of Guatemala has already issued HCFC import quotas for 2020 at 4.59 ODP tonnes<sup>5</sup> (76.21 mt), which is 15 per cent lower than the Montreal Protocol control targets.

### *Refrigeration servicing sector*

15. Upon a request for clarification, UNIDO indicated that the project addressed to an end-user in the commercial refrigeration sector does not intend to install new equipment, but rather to assist an enterprise in the commercial refrigeration sector to reduce leaks of HCFC-22 by reviewing the whole process of refrigeration (i.e., refrigerant consumption, identification of leaks, tools, certification, log books, energy consumption, refrigerant quality and training requirement). Similar to the Zero Leakage programme implemented in the previous tranche, the process will be documented to raise awareness and support other enterprises to better handle their HCFC-22.

### Level of fund disbursement

16. The Secretariat noted that only US \$2,985 of US \$30,184 approved for the UNEP component of the third tranche had been disbursed. UNIDO explained that an additional US \$22,000 has already been committed for two consultancies: on the adoption of safety standards for handling flammable refrigerants; and on the implementation of a certification scheme for RAC technicians in good refrigeration practices. The remaining balance will be used for technical assistance to enhance the control of trade in HCFCs.

### Gender policy implementation<sup>6</sup>

17. UNIDO reported that the Government is committed to initiate activities on gender mainstreaming during stage I. The NOU would report data on the number of women trained in the customs and the refrigeration servicing sector and would facilitate provision of equal opportunities to national and international female consultants.

### Sustainability of the HCFC phase-out

18. The ban on imports of HCFC-141b in bulk and pre-blended polyols is expected to enter into force in October 2020 and will support the long-term sustainability of phase-out in the foam sector and for cleaning agents in the RAC sector. There are Government and Ministerial Agreements in place which prohibit the consumption of substances eliminated under the Montreal Protocol; foam manufacturers and trade operations are monitored in close coordination with the customs, and national regulations prohibit the import of methyl bromide, except for quarantine and pre-shipment uses. UNIDO reported that it was not aware of any use of or stocks of controlled substances that have been phased out in the country.

19. UNIDO approached the Customs Training School to include in its curricula, subjects related to substances controlled under the Protocol and provided refrigerant identifiers. The training programmes for RAC students in the national curriculum includes topics related to the Montreal Protocol. Toolkits were provided to middle schools and technical colleges teaching programmes related to RAC, and instructors receive continued training and updating in good practices and handling of alternative substances.

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<sup>5</sup> The quota includes 3.76 ODP tonnes (68.31 mt) of HCFC-22, 0.83 ODP tonnes (7.50 mt) of HCFC-141b and 0.01 ODP tonnes (0.40 mt) of HCFC-123.

<sup>6</sup> Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Date of completion of stage I of the HPMP

20. UNIDO indicated that all activities being implemented by UNEP and UNIDO under stage I of the HPMP for Guatemala are planned to be completed by December 2021, as established in the Agreement.

Conclusion

21. The Government of Guatemala has continued to effectively implement its HCFC import and export licensing and quota system and has maintained compliance with the Montreal Protocol and its Agreement with the Executive Committee, with HCFC consumption at 62 per cent below the baseline in 2019. Guatemala continued to improve its ODS-related legal system maintaining the ban on the manufacture and import of equipment and products containing HCFCs and despite some delay the ban on the import of HCFC-141b in bulk and contained in pre-blended polyols is expected to be in place by October 2020. The activities in the refrigeration servicing sector have continued with the distribution of equipment to training centres and additional training to technicians. An end-user programme is being implemented which aims to reduce refrigerant leaks. The overall level of disbursement is 87 per cent of the funds approved so far.

**RECOMMENDATION**

22. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the fourth tranche of stage I of the HCFC phase-out management plan of (HPMP) for Guatemala, and further recommends blanket approval of the fifth and final tranche of stage I of the HPMP for Guatemala, and the corresponding 2020-2021 tranche implementation plan, at the funding level shown in the table below, on the understanding that:

- (a) The Treasurer would be requested to transfer the funds to UNIDO upon approval;
- (b) UNIDO had committed to submitting the verification report to the Secretariat no later than 12 weeks prior to the 86<sup>th</sup> meeting;
- (c) The recommendations included in the verification report would be addressed during the implementation of the fifth tranche of stage I of the HPMP, and that the actions implemented towards that end would be included in the progress report of stage I of the HPMP to be submitted as part of the country's request for stage II of the HPMP for Guatemala; and
- (d) In the event that the verification report confirmed that Guatemala had not been in compliance with the Montreal Protocol and its Agreement with the Executive Committee, the Secretariat would inform the Executive Committee so that relevant actions, *inter alia*, the application of the penalty clause, could be considered at the 86<sup>th</sup> meeting:

	<b>Project title</b>	<b>Project funding (US \$)</b>	<b>Support cost (US \$)</b>	<b>Implementing agency</b>
(a)	HCFC phase-out management plan (stage I, fifth tranche)	33,000	2,475	UNIDO