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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-sixth Meeting
Montreal, 26–30 May 2025
Item 9(d) of the provisional agenda[1]

PROJECT PROPOSAL: EL SALVADOR

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

<u>Phase-out</u>

• HCFC phase-out management plan (stage II, second tranche)	UNDP and UNEP	Individual consideration

[1] UNEP/OzL.Pro/ExCom/96/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

El Salvador

(I) PROJECT TITLE	**AGENCY**	**MEETING APPROVED**	**CONTROL MEASURE**
HCFC phase-out plan (stage II)	UNDP (lead), UNEP	87th	100% phase-out by 2030

(II) LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2024	2.08 ODP tonnes

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year: 2024**
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					2.08				2.08

(IV) CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	11.68	Starting point for sustained aggregate reductions:	16.62
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	16.62	Remaining:	0.0

(V) ENDORSED BUSINESS PLAN		**2025**	**2026**	**2027**	**Total**
UNDP	ODS phase-out (ODP tonnes)	2.85	1.46	0.0	4.31
	Funding (US $)	261,353	133,477	0	394,830
UNEP	ODS phase-out (ODP tonnes)	0.20	0.05	0.0	0.25
	Funding (US $)	154,810*	4,520	0	159,330*

*Including US $135,600 for UNEP for additional activities to maintain energy efficiency (decision 89/6)

(VI) PROJECT DATA			**2021**	**2022-2023**	**2024**	**2025***	**2026**	**2027-2028**	**2029**	**2030**	**Total**
Montreal Protocol consumption limits (ODP tonnes)			7.59	7.59	7.59	3.80	3.80	3.80	3.80	0	n/a
Maximum allowable consumption (ODP tonnes)			5.42	3.44	3.44	2.88	2.32	2.32	0.29	0	n/a
Funding agreed in principle (US $)	UNDP	Project costs	169,000	0	244,255	0	124,745	0	65,000	0	603,000
		Support costs	11,830	0	17,098	0	8,732	0	4,550	0	42,210
	UNEP	Project costs	26,000	0	17,000	0	4,000	0	0	0	47,000
		Support costs	3,380	0	2,210	0	520	0	0	0	6,110
Funds approved by ExCom (US $)		Project costs	195,000	0	0		0	0	0	0	195,00
		Support costs	15,210	0	0		0	0	0	0	15,210
Total funds recommended for approval at this meeting (US $)		Project costs				261,255					261,255
		Support costs				19,308					19,308

*Second tranche funding was initially scheduled for release in 2024

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of El Salvador, UNDP as the lead implementing agency has submitted a request for funding for the second tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US $280,563, consisting of US $244,255, plus agency support costs of US $17,098, for UNDP and US $17,000, plus agency support costs of US $2,210, for UNEP.[2] The submission includes a progress report on the implementation of the first tranche, the verification report on HCFC consumption for 2020 to 2024, and the tranche implementation plan for 2025 to 2027.

Report on HCFC consumption

2. The Government of El Salvador reported a consumption of 2.08 ODP tonnes of only HCFC-22 in 2024 (82 per cent below the country's HCFC baseline for compliance and 27 per cent below the maximum allowable consumption in the Agreement with the Executive Committee for stage II of the HPMP). El Salvador has been consistently below its Montreal Protocol obligation targets of 7.59 ODP tonnes for 2020 to 2024; however, HCFC consumption in 2022 and 2023 was above the maximum allowable consumption in the Agreement with the Executive Committee, as shown in table 1.

Table 1. HCFC consumption in El Salvador (2020– 2024 Article 7 data)

HCFC	2020	2021	2022	2023	2024	Baseline
Metric tonnes (mt)						
HCFC-22	49.75	72.00	63.90	84.68	37.76	148.13
HCFC-123	0.14	0.32	0.23	0.00	0.00	2.65
Total (mt)	**49.89**	**72.32**	**64.13**	**84.68**	**37.76**	***186.51**
ODP tonnes						
HCFC-22	2.74	3.96	3.51	4.66	2.08	8.15
HCFC-123	0.00	0.01	0.01	0.00	0.00	0.05
Total (ODP tonnes)	**2.74**	**3.97**	**3.52**	**4.66**	**2.08**	***11.68**
Maximum allowable consumption	**7.59**	**5.42**	**3.44**	**3.44**	**2.88**	

* The baseline total also includes HCFC-124, HCFC-141b and HCFC-142b (fully phased out in the previous stage of the HPMP)

3. Consumption of HCFC-22 in recent years has been irregular, with an overall downward trend. The marked rise in consumption in 2023 has been attributed to a merger of two importing enterprises, both of which decided to use their full quota and stock up, as well as to the wide availability of spare parts extending the life of HCFC-22-based equipment in the country, resulting in continuous active demand for the refrigerant.

Country programme implementation report

4. The Government of El Salvador reported HCFC sector consumption data under the 2024 country programme (CP) implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. An independent verification report, initially submitted along with the second tranche request at the 95th meeting, identified that the HCFC consumption in the years 2022 and 2023 were 3.52 and 4.66 ODP tonnes respectively, both years above the maximum allowable consumption of 3.44 ODP tonnes stated in the Agreement. As the tranche request was withdrawn due to a low level of disbursement, UNDP commissioned a revised verification report to also include data for 2024 as well as re-examine export data

[2] As per the letter of 11 March 2025 from the Ministry of the Environment and Natural Resources of El Salvador to UNDP.

for all years. This revised verification report was included in the resubmission of the second tranche to the 96th meeting and presented the following main findings:

(a) The Government was implementing a licensing and quota system for HCFC imports and exports, and the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2020 to 2024 was consistent with import records;

(b) The import quotas allocated during the verified period were based on a quota system regulation (Executive Agreement No. 52 of 2013) that was not updated to incorporate the maximum allowable consumption levels values agreed for stage II of the HPMP between 2021 and 2030;

(c) The verified HCFC consumption levels in 2020, 2021 and 2024 were below the maximum allowable consumption for the same years;

(d) The verified HCFC consumption in 2022 was below the maximum allowable consumption level for the same year. Neither the CP data and Article 7 reports submitted, nor the initial verification report had accounted for 0.29 ODP tonnes of HCFC-22 exported during that year. Accounting for these exports, the consumption in 2022 should be 3.23 ODP tonnes rather than the reported 3.52 ODP tonnes. This level is below the maximum allowable consumption of 3.44 ODP tonnes for the same year. The verification recommended immediate correction of the CP report and Article 7 data submitted for 2022;

(e) The verified HCFC consumption in 2023 of 4.66 ODP tonnes was confirmed. This level is above the maximum allowable consumption of 3.44 ODP tonnes for the same year; and

(f) Based on the initial verification conducted for the 95th meeting, the Government of El Salvador immediately issued a revised Ministerial Decree No. 343 to update Executive Agreement No. 52 and comport with the maximum allowable consumption in the Agreement starting 1 January 2025. By the time of the revised verification, this issue had already been resolved.

6. In addition to the main findings above, the revised verification also provided several recommendations to optimize the application of the system, including inter alia the development of an automatic link between the customs operations system and the licensing system, which the Government confirmed was already being implemented; need to also include export data in the information exchange with customs; maintaining cross-checking procedures and requesting import/export reports from customs twice a year for early detection of classification errors; and training customs officials and brokers in the correct classification.

<u>Progress report on the implementation of the first tranche of stage II of HCFC phase-out management plan</u>

Legal framework

7. The following developments took place under the implementation period of the first tranche:

(a) *Legal framework*: Ratification of the Kigali Amendment on 13 September 2021; issuance of Ministerial Decree 343 in January 2025 which modified their Executive Agreement No. 52 to reflect the maximum allowable consumption stated in the Agreement for stage II approved at the 87th meeting of the Executive Committee. The decree updated the annual schedule of maximum imports of HCFCs for the years 2025 through 2030 as well as annual import quota per enterprise between 2025 and 2029. These import quotas now align with the Agreement targets, which are lower than the Montreal Protocol compliance targets and are effective from 1 January 2025 through to 31 December 2030. The decree also bans the import of both new and used HCFC-based equipment as of 1 January 2025;

(b) *Customs capacity building*: Training was provided to 20 customs officers (including 12 women) on enforcement measures for ozone-depleting substances (ODSs), national customs codes for alternatives to HCFCs and HFCs, prevention of illegal trade, and use of tools such as "WhatGas?"; two refrigerant identifiers were procured and distributed; training was held for 38 importers and customs agents (19 women) on the updated Montreal Protocol regulations and new tariff classification; harmonized system codes were implemented and the licensing and quota system was updated; and meetings were held with four distributors of refrigeration and air-conditioning (RAC) equipment to verify that they did not offer HCFC-based equipment;

(c) *Refrigeration servicing sector:* Thirteen equipment and tool kits[3] (against eight planned) were procured for three training centres, eight local trainers, and the national ozone unit to train RAC technicians across the country in good servicing practices, including refrigerant recovery, reuse, and recycling and the safe handling of HFC-32-based air-conditioning (AC) units; terms of reference (TOR) were developed for selection of an international trainer as well as for the development of a technical labour competency standard to certify RAC technicians; expression of interest was obtained from the ITCA-FEPADE Specialized School of Engineering to certify technicians; and a technical cooperation agreement is being developed for this purpose;

(d) *Awareness raising:* 200 technicians (including 25 women) participated in two workshops held to promote HFC-32-based AC equipment and other alternative technologies; and a campaign was designed to promote the adoption of HCFC-free technologies in the AC and commercial refrigeration sectors, to be launched in autumn 2025; and

(e) *Project implementation and monitoring:* Project coordinator was hired and project team hiring process is underway.

<u>Level of fund disbursement</u>

8. As of March 2025, of the US $195,000 approved so far (US $169,000 for UNDP and US $26,000 for UNEP), US $90,490 (46 per cent) had been disbursed (US $71,102 for UNDP and US $19,388 for UNEP). The balance of US $104,510 will be disbursed in 2025–2026.

<u>Implementation plan for the second tranche of stage II of the HCFC phase-out management plan</u>

9. The following activities will be implemented between July 2025 and December 2027:

(a) *Strengthening of customs and enforcement*: Training on trade control measures for HCFCs and HCFC-based equipment to be provided to 20 customs officers and 40 importers and customs brokers; stakeholder workshop on enforcement procedures to ban imports of HCFC-based equipment (UNEP) (US $17,000, plus funds from previous tranche);

[3] Including four data loggers; four 12K BTU inverter type air conditioners (two charged with R-410A and two with HFC-32), four 36K BTU (on-off, non-inverter type) air conditioners based on R-410A, four 18K BTU inverter type air conditioners (two charged with HFC-32 and two with R-410A), 24 refrigerant recovery cylinders of 30 lb capacity, 13 kits containing a vacuum pump, vacuum gauge, digital scales, an electronic refrigerant leak detector, an autogenous welding kit, and a refrigerant recovery station each, 10 ODS and HFC refrigerant recovery units, and five toolkits containing a nitrogen kit, digital pressure gauge, digital thermometer, refrigerant charge dispenser, AC system analyzer and a digital hook ammeter each.

(b) *RAC technician training*: Training and a manual on good servicing practices, including refrigerant recovery, recycling, and flushing, to be provided to 150 technicians in seven workshops; distribution of additional 16 equipment kits, including recovery and recycling tools; procurement of seven AC units charged with refrigerants with low global-warming potential, three ducted AC units, and seven performance testers (UNDP) (US $113,638, plus funds from previous tranche);

(c) *RAC technician certification*: Approval of the national RAC technician certification standard; development of an online registration system; and certification of the first 50 technicians in labour competency standards (UNDP) (US $45,400, plus funds from previous tranche);

(d) *Refrigerant recovery, recycling and reclaim programme:* Establishment of an HCFC recovery and recycling centre, including procurement of an HCFC-22 recycling machine and supporting equipment (UNDP) (US $52,250, plus funds from previous tranche);

(e) *Public awareness and education:* Organization of awareness-raising campaigns for the general public and on the certification programme for technicians; two seminars on alternative technologies held for 30-50 participants; and design and dissemination of technical brochures (UNDP) (US $17,250, plus funds from previous tranche); and

(f) *Project monitoring:* Coordination of activities between the Ministry of the Environment and Natural Resources (MARN) and UNDP; and quarterly meetings to monitor implementation progress and tranche targets (UNDP) (US $15,717, plus funds from previous tranche).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption and verification

10. In relation to the HCFC consumption levels identified by the verification report above the targets in the Agreement, the Secretariat notes that:

(a) HCFC consumption in 2022 was wrongly reported due to an omission of an export for 0.29 ODP tonnes. The Government is correcting the CP and Article 7 reports to indicate the correct verified consumption of 3.23 ODP tonnes and will submit them by mid-May 2025. Once submitted, the correct HCFC consumption in 2022 would be below the maximum allowable consumption in the Agreement; and

(b) HCFC consumption in 2023 is 1.22 ODP tonnes above the maximum allowable consumption in the Agreement.

11. In accordance with paragraph 11 of the Agreement between the Government and the Executive Committee, in the event of non-compliance with the targets stated in row 1.2 of Appendix 2-A, the Executive Committee may inter alia reduce the funding by the amount set out in Appendix 7-A ("Reductions in Funding for Failure to Comply") in respect of each ODP kilogram (kg) of reductions in consumption not achieved in any one year. The Agreement further stipulates that the Executive Committee will discuss each specific case in which the country did not comply with the Agreement and take related decisions.

12. In accordance with Appendix 7-A of the Agreement with the Government of El Salvador, the funding agreed for the HPMP could be reduced by US $180 per ODP kg of consumption in excess of the phase-out target for any year covered by the Agreement, on the understanding that this reduction would not exceed the funding level of the tranche being requested. With 0.08 ODP tonnes of excess consumption in 2022, the deduction for that year is calculated at up to US $14,238, and with 1.22 ODP tonnes of excess consumption in 2023, the deduction for that year is calculated at up to US $219,132. The total amount of funds being requested for the tranche is US $261,255.

13. If the Government of El Salvador submits the corrected CP and Article 7 reports for 2022, the only year above the target would be 2023. Noting that the correction of the HCFC consumption in 2022 has not been finalized, the Secretariat recommends that the level of HCFC consumption for 2022 is considered again during the review of the third tranche of stage II of the HPMP.

14. With regard to the 2023 consumption, the Secretariat held extensive discussions with UNDP on the circumstances that led to non-compliance with the consumption targets in the Agreement and on the specific circumstances in the country regarding the licensing and quota system. UNDP explained that the update of the Executive Agreement No. 52, including the modification of the import quotas in 2021–2030 in line with stage II of the HPMP, was likely overlooked due to the focus on economic and social recovery from the outbreak of the coronavirus disease (COVID-19), as well as institutional reorganization and establishment of procedures by local authorities which delayed the start of stage II.

15. UNDP also indicated that, once the cause of the issue was identified, El Salvador issued Ministerial Decree No. 343, which updated the import quotas to align with the Agreement targets, effective from 1 January 2025 through to 31 December 2030, to ensure that the situation presented in 2023 would not recur, reaffirming the Government’s commitment with the reduction targets initially agreed. The country also banned the import of HCFC-based RAC equipment by 1 January 2025, in line with the Agreement, and to further ensure compliance with the maximum HCFC consumption.

16. The Executive Committee discusses each specific case of non-compliance with the Agreement on a case-by-case basis. In the case of El Salvador, the Committee may wish to take into consideration the above analysis; the fact that the Government of El Salvador has been in compliance with the Montreal Protocol targets; that for stage II of the HPMP El Salvador agreed to ambitious consumption targets in 2022 and 2023 that were 55 per cent below the Montreal Protocol targets for those years and 70.5 per cent below the HCFC baseline (ahead of the 67.5 per cent reduction in 2025); and that the Government has taken immediate corrective measures to ensure that from now on HCFC consumption is within the targets agreed for stage II.

<u>Progress report on the implementation of the first tranche of stage II of HCFC phase-out management plan</u>

Legal framework

17. The Secretariat inquired about Ministerial Decree No. 343 published on 3 January 2025 and received confirmation that it provided an annual schedule of maximum imports of HCFCs for the years 2025 through 2030, as well as annual import quota per enterprise between 2025 and 2029.[4] The decree also bans the import of both new and used HCFC-based equipment as of 1 January 2025.

<u>Technical and cost-related issues</u>

18. The Secretariat noted the operational implementation and project delays. UNDP explained that the main challenge for the implementation of the project was the preparation and signature of the project

[4] Maximum permitted import limits for HCFCs in the country are 39.03 mt in 2025, 31.22 mt in 2026 and 2027, 3.90 mt in 2028 and 2029, and 0 mt in 2030.

document between UNDP and MARN, and that this initial obstacle led to a delay in the execution of the planned activities. Another factor that affected the implementation of the project were the general elections in the country in February 2024, which also impacted the start of the project, with authorizations and signatures suffering delays as the focus of the authorities was on the election process.

Implementation plan for the second tranche of stage II of the HCFC phase-out management plan

19. The Secretariat notes that the activities proposed under the second tranche are in line with the original plan for the stage. UNDP provided a clarification on the online registry activity included under the technician certification component, indicating that once technicians completed the certification process, their certificate would include a unique registration number, recorded in an online database on the MARN website, so that end users could verify the authenticity of a technician's certification.

Gender policy implementation

20. The participation of women was promoted during the customs training workshops and meetings with refrigerant importers and RAC equipment distributors to encourage more female participation in future activities. The TOR prepared include gender competence as a requirement, a provision that encouraged women to apply, and technical reports have a gender section. The country indicates that information was accessed by 34 women (51.6 per cent) and 32 men (48.4 per cent), and that a higher percentage of women was trained (31 women, 53.5 per cent) as compared to 27 men (46.5 per cent).

Sustainability of the HCFC phase-out and assessment of risks

21. As part of the sustainability of training to strengthen the local capacities of RAC equipment installation and maintenance technicians, the ITCA-FEPADE Specialized School of Engineering has expressed interest in offering Good Refrigeration and Air-Conditioning Practices in its curricula, which includes the promotion of alternative refrigerants with no ozone impact and reduced impact on the climate.

22. The sustainability of HCFC phase-out in El Salvador is being ensured by rigorous implementation of Ministerial Decree No. 343, which includes specific annual import quotas between 2025 and 2029 and total phase out in 2023, and a ban on imports of new and used HCFC-based equipment, effective since 1 January 2025, and by continuous training of customs officers. Risks relating to the implementation of the HPMP are mitigated by the high level of support from the Government of El Salvador, which remains committed to its Montreal Protocol obligations and to further strengthening the relevant legislation.

Conclusion

23. Activities under stage II are being implemented as planned. Significant progress has been achieved during the implementation of the first tranche, and the level of disbursement of funds approved in the previous tranche is above 20 per cent. The independent verification reported that El Salvador was in compliance with its Montreal Protocol obligations and the HCFC consumption targets set in the Agreement for the years 2020, 2021 and 2024, but exceeded the 2022 and 2023 targets. While the reason for the 2022 consumption above the target was a mistakenly omitted export in the consumption report, which is being corrected, the 2023 consumption above the target was confirmed due to the quota level not updated in line with stage II of the HPMP. El Salvador rectified this issue by issuing Ministerial Decree No. 343 updating HCFC consumption targets and quota levels from 2025 to 2030 and issuing the ban on import of both new and used HCFC-based RAC equipment by 1 January 2025 to further ensure compliance. The Executive Committee may wish to consider this issue in light of the information provided by the Secretariat in the present document.

RECOMMENDATION

24. The Executive Committee may wish to consider:

(a) Noting:

(i) The progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan (HPMP) for El Salvador;

(ii) With concern, that the HCFC consumption in 2023 in El Salvador exceeded the target under the maximum allowable consumption set in row 1.2 of Appendix 2-A of the Agreement between the Government of El Salvador and the Executive Committee for that year, by 1.22 ODP tonnes;

(iii) That the Government of El Salvador undertook the necessary steps to return to compliance with the Agreement and that HCFC consumption in 2024 was below the target for maximum allowable consumption set in row 1.2 of Appendix 2-A of the Agreement between the Government of El Salvador and the Executive Committee for that year;

(iv) That the Government of El Salvador will submit corrected HCFC consumption data, including all imports and exports for the year 2022, and that the level of HCFC consumption in 2022 against the maximum allowable consumption set in row 1.2 of Appendix 2-A of the Agreement between the Government of El Salvador and the Executive Committee for that year will be considered again during the third tranche of stage II of the HPMP; and

(b) Approving the second tranche of stage II of the HPMP for El Salvador, and the corresponding 2025–2027 tranche implementation plan, at a total level of funding to be determined once the issue of the country's performance in line with the Agreement is addressed in light of the information provided in document UNEP/OzL.Pro/ExCom/96/33.