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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: NAMIBIA

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

Phase-out

- HCFC phase-out management plan (first tranche) — Germany

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Namibia

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (first tranche)	Germany (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2009	6.0 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP									Year: 2009
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC123									
HCFC124									
HCFC141b					0.3				0.3
HCFC142b									
HCFC22					5.7				5.7

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	To be determined	Starting point for sustained aggregate reductions:	6.1
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)	4.2		6.0						1.1		11.3
	Funding (US $)	390,000	0	553,500	0					104,000		1,047,500

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits (estimate)			n/a	n/a	6.14	6.14	5.53	5.53	5.53	5.53	5.53	3.99	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	5.3	4.9	4.3	3.1	2.2	1.2	0.6	0.2	
Project Costs requested in principle(US$)	Germany	Project costs	300,000		240,000				270,000			90,000	900,000
		Support costs	36,333		29,067				32,700			10,900	109,000
Total project costs requested in principle (US $)			300,000	0	240,000	0	0	0	270,000	0	0	90,000	900,000
Total support costs requested in principle (US $)			36,333	0	29,067	0	0	0	32,700	0	0	10,900	109,000
Total funds requested in principle (US $)			336,333	0	269,067	0	0	0	302,700	0	0	100,900	1,009,000

(VII) Request for funding for the first tranche (2011)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
Germany	300,000	36,333

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Namibia the Government of Germany, as the designated implementing agency, has submitted to the 63rd Meeting of the Executive Committee an HCFC phase-out management plan (HPMP) at a total cost as originally submitted, of US $1,261,500 plus agency support costs of US $163,995 for Germany, for the implementation of the HPMP. The HPMP proposes strategies and activities to achieve a complete phase-out of HCFCs by 2030.

2. The first tranche being requested for the HPMP at this meeting amounts to US $494,000 plus agency support of US $64,220 for Government of Germany as originally submitted.

Background

ODS regulations

3. The Ministry of Trade and Industry is the national body responsible for the implementation of the Montreal Protocol activities in Namibia. The Government of Namibia established the regulations, Import and Export Control Act 30 in 2005 which controlled the import and export of all ozone depleting substances (ODS). The regulations were amended in 2010 to include HCFCs and HCFC-based equipment in the licensing and quota system. The amendments to the Regulations came into effect on 1 January 2011.

HCFC consumption

4. All HCFCs used in Namibia are imported as the country does not have any HCFC production capacity. The HCFC consumption data in 2005 and 2006 are not available because reporting of HCFC consumption at that time was not compulsory. The HPMP survey showed that HCFC-22 accounts for 97.4 per cent of the total HCFC consumption and is used predominantly in servicing refrigeration and air conditioning (RAC) equipment. A small quantity of HCFC-141b was also consumed as a flushing agent.

5. In 2009, the total refrigerant consumption in Namibia was 119.82 metric tonnes (mt), of which HCFCs accounted for 103.98 mt (5.72 ODP tonnes), or 87 per cent. The HCFC consumption data obtained from the survey is consistent with the Article 7 data. Table 1 shows the level of HCFC consumption in Namibia.

Table 1: HCFC level of consumption in Namibia (Article 7 data)

Year	HCFC-22 (tonnes)		HCFC-141b (tonnes)		Total (tonnes)	
	Metric	ODP	Metric	ODP	Metric	ODP
2005*	-	-	-	-	-	-
2006*	-	-	-	-	-	-
2007	215.00	11.83	-	-	215.00	11.83
2008	101.70	5.59	1.65	0.18	103.35	5.77
2009	103.98	5.72	2.80	0.31	106.78	6.03

*Data is not available.

Sectoral distribution of HCFCs

6. The survey undertaken covered all of the stakeholders and representative service workshops. The survey data gave the number and types of equipment installed and the amount of HCFC-22 required for servicing this equipment. In 2009, the total number of RAC equipment using HCFC-22 installed in the

country was estimated at 320,000 units. The average charge for different types of equipment was estimated and used to calculate the total installed capacity. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector based on the survey

Type	Total number of units	Total charge of refrigerant (tonnes)		Service demand (tonnes)	
		Metric	ODP	Metric	ODP
Cold rooms and freezers	75,000	337.00	18.54	77.00	4.23
Domestic and commercial ACs	220,000	660.00	36.30	25.00	1.37
Other refrigeration equipment	25,000	37.50	2.06	7.00	0.38
Total	320,000	1034.50	56.90	109.00	5.98

Estimated baseline for HCFC consumption

7. The estimated baseline is calculated as 108.76 mt (6.14 ODP tonnes) using the actual 2009 consumption of 106.78 mt (6.03 ODP tonnes) reported under Article 7 data and the estimated 2010 consumption of 110.73 mt (6.25 ODP tonnes) averaged. In line with decision 60/44 (e), the estimated baseline will be adjusted accordingly when the actual Article 7 data for 2010 is reported.

Forecast of future HCFC consumption

8. The survey result shows that the HCFC imports from 2007 to 2009 have been fluctuating and no real trend could be determined from these data. The average annual import of HCFC consuming equipment from 2007 to 2009 was 24,366 units. This has led to an increase in the installed capacity and subsequently an increase of HCFC consumption for servicing this equipment. Namibia projected its future HCFC consumption at a 3.7 per cent annual growth. The table below provides a summary of HCFC consumption forecast in Namibia.

Table 3: Forecast consumption of HCFCs

		2009*	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constrained HCFC consumption	MT	106.78	110.73	114.83	108.76	108.76	108.76	76.13	76.13	76.13	21.75	21.75	2.72
	ODP	6.03	6.25	6.48	6.14	6.14	6.14	4.30	4.30	4.30	1.23	1.23	0.15
Unconstrained HCFC consumption	MT	106.78	110.73	114.83	119.08	123.48	128.05	132.79	137.70	142.80	148.08	153.56	159.24
	ODP	6.03	6.25	6.48	6.72	6.97	7.23	7.49	7.77	8.06	8.36	8.67	8.99

*actual reported Article 7 data

HCFC phase-out strategy

9. The Government of Namibia is proposing a single stage approach to achieve complete phase out of HCFCs by 2020 with a service tail of 2.5 per cent to 2030. The decision to phase out HCFCs earlier than the Montreal Protocol schedule is based on the country's commitment to meet challenges for both ozone protection and climate impact mitigation at the same time. The Government had provided its commitment to this accelerated phase-out in a written communication to the Multilateral Fund Secretariat, a copy of which is attached to this document. The Government is aiming to achieve zero impact on ozone and climate during HCFC phase-out by using low global warming potential (GWP) hydrocarbon

alternative technologies. The Government of Namibia is also planning activities to phase out HFCs during the implementation of the HPMP. The phase out schedule proposed by Namibia is shown as follow.

(a) Freeze at baseline level on 1 January 2012;

(b) Achieve 30 per cent reduction by 1 January 2015;

(c) Achieve 80 per cent reduction by 1 January 2018;

(d) Achieve 97.5 per cent reduction by 1 January 2020; and

(e) Achieve 100 per cent reduction by 1 January 2030.

10. Namibia will reduce HCFC consumption through the implementation of both investment and non-investment components throughout the period of 2011 to 2020. The HPMP was developed to a large extent based on the experiences from the refrigerant management plan and the terminal phase-out management plan (TPMP) taking into account the specific natures of the HCFC applications as well as the alternative technologies. Phase I activities from 2011 to 2015 will focus on HCFC reduction through regulation enforcement, awareness raising and promotion of ozone climate co-benefit activities. Phase II activities, from 2015 to 2020, will be targeted at sustaining the reduction achieved in phase I by curbing the demand for HCFCs through retrofitting and replacement of HCFC-based equipment, while continuing the awareness raising and regulation enforcement to support a gradual reduction process.

11. Namibia is aiming at achieving carbon neutrality in 2030. Hence the country plans to phase out HCFC consumption by 2020 in order to allow for a smooth transition of the industry to non-HCFC technology. Policy and tax incentives will be introduced to encourage the use of low GWP refrigerants. Namibia has amended its regulations to include HCFCs in the licensing and quota system. The amended regulations became effective from 1 January 2011. Namibia will implement the licensing and quota system to ensure that bulk HCFCs and HCFC-based equipment are controlled according to the accelerated phase-out schedule. The summary of activities and proposed implementation period is shown in Table 4.

Table 4: Specific activities of the HPMP and proposed period of implementation

Description of activities	Implementation schedule
Enforcement of policies and regulations, strengthening licensing and quota system, training of enforcement officers, provision of refrigerant identifiers	2011-2020
Demonstration project for the promotion of ozone climate benefit	2011-2020
Training of technicians, labelling, provision of tools, equipment and retrofit kits, technical assistance	2011-2020
Enhanced awareness outreach	2012-2020
Project monitoring, coordination and reporting.	2011-2020

Cost of the HPMP

12. The total cost of the HPMP for Namibia has been estimated at US $3,575,000 to achieve complete phase-out of HCFCs by 2030. This will result in a phase-out of 108.76 mt (6.14 ODP tonnes) of HCFCs. The detailed cost breakdown for activities is listed in Table 5.

Table 5: Total cost of the HPMP for Namibia

Activities	MLF (US $)	Co-funding (US $)	Total budget (US $)
Enforcement of policies and regulations	190,000	95,000	285,000
Demonstration project for ozone climate benefit	0	515,000	515,000
Refrigeration servicing improvement and retrofit	800,500	1,552,500	2,353,000
Education and awareness programme	122,000	50,000	172,000
Project monitoring, coordination and reporting.	150,000	100,000	250,000
Total (US $)	1,262,500	2,312,500	3,575,000

SECRETARIAT COMMENTS AND RECOMMENDATION

COMMENTS

13. The Secretariat reviewed the HPMP for Namibia in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd Meeting and the 2011-2014 business plan of the Multilateral Fund.

Overarching strategy

14. The Secretariat raised concerns on the proposed accelerated phase-out strategy. It queried the overall national commitment, the readiness of stakeholders to implement such accelerated phase-out and its capacity to achieve substantial reduction targets, as early as 2015.

15. The Government of Germany indicated that Namibia is highly committed to mitigating climate impact and aims to achieve carbon neutrality by 2030. Although Namibia's strategy for GHG emission reduction mainly focuses on improving energy efficiency and developing clean energy, HCFC phase-out is considered to be a cost effective way to reduce carbon emission due to the high GWP value of these substances. The complete phase-out of HCFCs by 2020 using low GWP alternatives will assist in realizing the greenhouse gas (GHG) emission targets and achieving carbon neutrality. The commitment for accelerated phase-out was made at the highest level of the Government to ensure that ozone protection and climate impact mitigation can be achieved at the same time. Namibia has provided a letter from the Ministry of Trade and Industry to demonstrate a strong commitment to the accelerated phase-out of HCFCs. A copy of the letter is attached to the present document.

16. Namibia's strong commitment is further demonstrated by provision of co-funding for the implementation of the HPMP. The Government pledged initially US $2,312,500 for the implementation of HPMP. This was increased to US $ 2,392,500 to compensate for a funding reduction from the Multilateral Fund.

17. The Government of Germany informed the Secretariat that Namibia is prepared for implementing an accelerated phase-out as the commitment is from both the Government and the industrial stakeholders. The concept of accelerated phase-out was originally suggested by the refrigeration industry. The Government has already established a regulation to ban imports of HCFC-based equipment as of January 2012 to support this initiative. Equipment importers are informed of this ban and currently are exploring possible imports of natural refrigerant-based equipment.

18. In responding to the Secretariat's concern on national capacity for the accelerated phase-out of high baseline consumption, the Government of Germany informed the Secretariat that Namibia is well aware of the challenges ahead and strongly believes that it has the national capacity to implement the accelerated phase-out. From the past experience, Namibia successfully achieved CFC phase-out in 2006 through implementing intensive TPMP activities. The industry did changeover and covered most of the conversion costs without any real economic repercussions. Taking into consideration the experience gained from the CFC phase-out, Namibia is confident in implementing the accelerated phase-out of HCFCs.

Starting point for aggregate reduction in HCFC consumption

19. The Government of Namibia agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average of actual reported consumption in 2009 and estimated consumption in 2010, which results in 6.14 ODP tonnes. The business plan indicated a baseline of 6.2 ODP tonnes.

Technical and cost issues

20. The Secretariat examined the phase-out plan and raised concerns on the feasibility of the accelerated phase-out within a short period of time and queried the expected outcomes from each activity. The Government of Germany provided an estimation of HCFC tonnages expected to be phased out by each activity as follows:

(a) Training of technicians and retrofit (50-60 mt);

(b) Effective refrigerant recovery, reuse and recycling (20-30 mt);

(c) Awareness campaign which will influence the end user to choose alternative equipment (10 20 mt); and

(d) Demonstration project for retrofitting to natural refrigerant (3-5 mt).

21. The Secretariat raised a serious concern on the practicality of the accelerated phase-out in Namibia given the fact that the HCFC phase-out strategy in South Africa, a neighbouring country and major business partner of Namibia, is not clear at this moment. The Secretariat questioned the effectiveness on the border control and expressed doubt on the sustainability of the phase-out. The Government of Germany informed the Secretariat that Namibia already has regulations, a licensing and a quota system established for controlling the import of HCFCs and HCFC-based equipment. Intensive training of customs officers and the provision of equipment, planned in the HPMP, will assist in identifying illegal imports. The Government of Germany also informed the Secretariat that according to the information provided by the NOU of South Africa, the industry in South Africa is starting to change over to natural refrigerants in some sectors such as supermarkets. Major imports of refrigeration equipment into Namibia are sourced directly from Asia and Europe, while only limited quantities are imported from South Africa. There are suppliers of natural refrigerants in South Africa, who also supply natural refrigerants to the region at large including Namibia. Namibia is confident in its border control based on the experience gained from the implementation of the CFC phase-out activities, as only six cases of illegal trade were discovered and handled accordingly. Namibia plans to introduce a green tax incentive, which will apply tax on all high GWP refrigerants to encourage importers to import environmental friendly refrigerants and equipment.

22. The Secretariat raised concerns on the total funding of US $1,262,500 requested from the Multilateral Fund as originally submitted. This exceeds the eligible funding of US $900,000 for a low-volume-consuming (LVC) country to achieve complete phase-out as set out in decision 60/44 and

clarified by decision 62/10. The Secretariat discussed the cost issues with the Government of Germany and reminded it that the Executive Committee at its 62nd Meeting discussed the accelerated phase-out for LVCs. The Committee decided that, for the HPMPs which addressed phase-out of HCFCs ahead of the Montreal Protocol schedule, the total funding available for achieving 100 per cent phase-out would be extrapolated from that available for meeting the 35 per cent reduction in consumption as prescribed in the table in subparagraph f(xii) of decision 60/44. Namibia has an estimated baseline of 108.76 mt. The eligible funding for meeting 35 per cent reduction is US $315,000. Extrapolating from this base, the eligible funding for meeting the complete phase-out of HCFCs by 2020, was calculated at US $900,000.

23. Based on the discussion, the Government of Germany adjusted the total funding requested from the Multilateral Fund to US $900,000. To compensate for the reduction of funding, the Government of Germany adjusted the level of activities and the total cost of the HPMP from US $ 3,575,000 to US $3,292,500. The Government of Namibia also increased the pledge of co-funding from US $2,312,500 to US $2,392,500 to support the implementation of the HPMP.

24. In line with decision 60/44, the total funding for Namibia's HPMP was agreed at US $900,000 to completely phase out HCFC consumption in Namibia as shown in Table 6. This would result in a phase-out of 108.76 mt (6.14 ODP tonnes) by 2030.

Table 6: Agreed level of funding of the HPMP for Namibia

Activities	MLF (US $)	Co-funding (US $)	Total budget (US $)
Enforcement of policies and regulations	119,000	115,000	234,000
Demonstration project for ozone climate benefit	-	515,000	515,000
Refrigeration servicing improvement and retrofit	646,500	1,567,500	2,214,000
Education and awareness programme	34,500	80,000	114,500
Project monitoring, coordination and reporting.	100,000	115,000	215,000
Total (US $)	900,000	2,392,500	3,292,500

Impact on the climate

25. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO2-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Namibia, in particular retrofitting and replacing existing equipment with low GWP hydrocarbon alternative technologies, indicate that it is likely that the country will surpass the level of 37,275 CO_2-equivalent tonnes that would not be emitted into the atmosphere as estimated in the 2011-2014 business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

Co-financing

26. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, the Government of Germany informed that Namibia has pledged US $2,392,500 to support the implementation of the HPMP.

2011-2014 business plan of the Multilateral Fund

27. The Government of Germany is requesting US $900,000 plus support costs for implementation of the HPMP. The total value requested for the period of 2011-2014 of US $605,400 including support cost is below the total amount in the business plan.

28. Based on the estimated HCFC baseline consumption in the servicing sector of 108.76 mt, Namibia's allocation up to the 2020 for 35 per cent reduction phase-out should be US $315,000 in line with decision 60/44.

Monitoring and coordination

29. Project monitoring and coordination of activities are planned to take place throughout the implementation period. The National Ozone Unit (NOU) will be responsible for coordinating and monitoring the progress of HPMP implementation. Reporting on the progress made during the implementation will be also carried out by the NOU with support from the Government of Germany.

Draft Agreement

30. A draft Agreement between the Government of Namibia and the Executive Committee for HCFC phase-out is contained in Annex I to the present document.

RECOMMENDATION

31. In light of the Secretariat's comments above, the Executive Committee may wish to consider:

(a) Whether to approve, in principle, the HCFC phase-out management plan (HPMP) for Namibia for the period 2011 to 2020, at the amount of US $1,009,000, comprising of US $900,000 and agency support costs of US $109,000 for the Government of Germany;

(b) Noting that the Government of Namibia had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 6.14 ODP tonnes, calculated using actual consumption for 2009 and estimated consumption for 2010;

(c) Whether to approve the draft Agreement between the Government of Namibia and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;

(d) Requesting the Fund Secretariat, once the baseline data were known, to update draft Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed to being made when the next tranche was

submitted; and

(e) Whether to approve the first tranche of the HPMP for Namibia, and the corresponding implementation plan, at the amount of US $336,333, comprising of US $300,000 and agency support costs of US $36,333 for the Government of Germany.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF NAMIBIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Namibia (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 0.15 ODP tonnes prior to 1 January 2020 and zero ODP tonne prior to 1 January 2030 in compliance with agreed Montreal Protocol schedules, with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A ("The Targets, and Funding") in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances which exceeds the level defined in row 1.2 of Appendix 2-A ("maximum allowable total consumption of Annex C, Group I Substances"; the Target) as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances which exceeds the level defined in rows 4.1.3 and 4.2.3(remaining eligible consumption).

3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3.1 of Appendix 2-A ("Targets and Funding") to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A ("Funding Approval Schedule").

4. The Country will accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A ("The Targets, and Funding") of this Agreement as described in sub-paragraph 5(b) of this Agreement.

5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;

(b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;

(c) That the Country had submitted tranche implementation reports in the form of Appendix 4-A ("Format of Tranche Implementation Reports and Plans") covering each previous calendar year, that it had achieved a significant level of implementation of activities initiated with previously approved tranches, and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

(d) That the Country has submitted and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A ("Format of Tranche Implementation Reports and Plans") covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") will monitor and report on implementation of the activities in the previous tranche implementation plan in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, in particular:

(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and

(b) The Country and the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. The Government of Germany has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of any of the agencies taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	5.83
HCFC-141b	C	I	0.31

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)			6.14	6.14	5.53	5.53	5.53	5.53	5.53	3.99	0.15	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes) under HPMP	6.48	6.14	5.28	4.85	4.30	3.10	2.17	1.23	0.56	0.15	0	n/a
2.1	Lead IA Gov. of Germany agreed funding (US $)	300,000		240,000				270,000			90,000		900,000
2.2	Support costs for Lead IA(US $)	36,333		29,067				32,700			10,900		109,000
3.1	Total agreed funding (US $)	300,000		240,000				302,700			90,000		900,000
3.2	Total support costs (US $)	36,333		29,067				32,700			10,900		109,000
3.3	Total agreed costs (US $)	336,333		269,067				302,700			100,900		1,009,000
4.1.1	Total phase-out of HCFC 22 agreed to be achieved under this agreement (ODP tonnes)												5.83
4.1.2	Phase-out of HCFC 22 to be achieved in previously approved projects (ODP tonnes)												n/a
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												0
4.2.1	Total phase-out of HCFC-141b												0.31
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)												n/a
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)												0

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the first meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plan will consist of five parts:

   (a) A narrative report regarding the progress in the previous tranche, reflecting on the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it and how they relate to each other. The report should further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the Country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;

   (b) A verification report of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;

   (c) A written description of the activities to be undertaken in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;

   (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the Country and the Lead IA; and

   (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit (NOU) will appoint a national institution or a suitable independent consultant to monitor all activities of the HPMP. This institute/consultant will submit annual progress reports of status of implementation of the HPMP through the NOU to the Government of Germany.

2. Verification of the achievement of the performance targets, specified in the Plan, will be undertaken, upon specific request of the Executive Committee, by an independent local company or independent local consultants contracted by the Government of Germany.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include at least the following:

(a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;

(b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;

(c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;

(d) Ensuring that the experiences and progress is reflected in updates of the overall Plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

(e) Fulfilling the reporting requirements for the tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee.

(f) Ensuring that appropriate independent technical experts carry out the technical reviews;

(g) Carrying out required supervision missions;

(h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;

(i) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;

(j) Ensuring that disbursements made to the Country are based on the use of the indicators; and

(k) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US $180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met.

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REPUBLIC OF NAMIBIA

MINISTRY OF TRADE AND INDUSTRY

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WINDHOEK

Enquiries Ms. S Hamunyela

Our Ref 11/12/1 Your Ref: .....

23 February 2011

Ms. Maria Nolan
Chief Officer
Multilateral Fund Secretariat
Montreal, Canada

Dear Ms. Nolan

SUBJECT: PROPOSED EARLY PHASE OUT OF HCFC USE IN NAMIBIA

On behalf of the Government of the Republic of Namibia, I would like to reassure you of our commitment to the protection of the environment. We continue to regard the protection of the Ozone Layer very important and to this end have proposed an early phase out of Hydrochlorofluorocarbons (HCFC) use by 2020 as outlined in our Ozone Depleting Substances (ODS) Regulations (Government Notice No. 281 of 31 December 2010). At the same time, we do not expect this early phase out to contribute to other environmental problems. For instance HCFC replacements with high Global Warming Potential (GWP) contributing to global warming given that environmental friendly alternatives are available. This is to be ensured through the implementation of the proposed Environmental Levy on Devises that are designed to use GHG including ODS. The draft Environmental Levy is currently awaiting Cabinet approval and hopefully will be implemented during the 2011/12 financial year starting April 2011.

Namibia's developmental path is informed by its core policy documents namely the Vision 2030, and the current third Medium Term National Development Plan (NDP3). The NDP3 covers eight Key Result Areas (KRAs), each corresponding to one of the eight main objectives of Vision 2030. One of the eight KRAs is: Competitive Economy, and Productive Utilisation of Natural Resources and Environmental Sustainability.

It is within the Productive Utilisation of Natural Resources and Environmental Sustainability KRA that the carbon emission reduction concept has been conceived as part of the 2nd National Communication to the UNFCC targeting the energy, transport

and agricultural sectors including measures available to the country to mitigate climate change through Greenhouse Gas (GHG) emissions reduction. While the focus of the 2nd National Communication is on the above mentioned sectors, we believe that to achieve the required reduction, other avenues to reduce greenhouse gases should be explored.

One such area for consideration is the reduction of greenhouse gases used in the refrigeration sector. Although Namibia has been reducing the impact on the ozone layer through ODS phase out, unfortunately an unwanted side effect has been a move towards the use of refrigerants with high GWPs by the industry. In response, the Government is determined to take a lead in the promotion of natural refrigerants such as Hydrocarbons.

We therefore strongly believe that the benefits of ozone layer protection and global climate can be achieved through the use of best practices such as Recovery and Recycling (R&R). Also encouragement of appliance owners to retire old and inefficient equipment will reduce energy consumption and cut carbon dioxide emissions.

Please accept Madam, the assurance of my highest consideration.

Yours sincerely,

M. LINDEQUE
PERMANENT SECRETARY