



**United Nations  
Environment  
Programme**

Distr.  
LIMITED

UNEP/OzL.Pro/ExCom/35/45/Add.1  
29 November 2001



ORIGINAL: ENGLISH

---

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-fifth Meeting  
Montreal, 5-7 December 2001

Addendum

**PROJECT PROPOSAL: MALAYSIA**

This addendum presents the results of the discussion between the Secretariat and the World Bank regarding the remaining issues on the national phase out plan of Malaysia following the dispatch of the documentation to members of the Executive Committee.

Criteria for funding CFC phase-out in the remaining manufacturing industries in the national phase-out plan

1. The Secretariat and the World Bank discussed the criteria to be used in calculating the funding for the CFC phase-out in the remaining manufacturing industries. The conclusion was that, given the circumstances of a national phase-out plan, the aggregate sub-sector cost-effectiveness of projects funded in the country should be used as a basis for calculating the required funding for each sub-sector, except when such national aggregate exceeds the cost-effectiveness threshold established by the Fund for that sub-sector. In the latter case, the cost-effectiveness threshold of the Fund was used. The use of such modality requires, as a prerequisite, reliable consumption data based on survey of enterprises involved, providing the baseline information required under Multilateral Fund rules.

Cost of the foam projects

2. Following calculations based on the above criteria and the CFC-11 consumption of the enterprises in the sub-sectors, the amounts in the following table were recommended for funding.

Sub-sector	No. of Enterprises	CFC-11 Consumption ODP tonnes	Aggregate cost-effectiveness for Malaysia (US\$/kg ODP)	Recommended funding (US\$)
Rigid Foam	18	42.23	\$7.83	\$330,661
Flexible Molded / Integral Skin Foam	14	108.60	\$9.2	\$999,120
<b>Total</b>	<b>32</b>	<b>150.83</b>	<b>----</b>	<b>\$1,329,781</b>

MAC servicing

3. The impact of the MAC recovery and recycling project approved in 1992 and the 200 sets of equipment provided under that project are reported to have already contributed to the current CFC-12 consumption of 1,300 ODP tonnes. The additional equipment to be provided under the national plan would be needed for the further reduction of 1,200 ODP tonnes of CFC-12 consumption in order to meet the 85% reduction in 2007.

National transition strategy for MDI

4. The 12<sup>th</sup> Meeting of the Parties requested the Executive Committee to consider funding such strategies although the Executive Committee has not decided its own strategy to fund these national efforts. The World Bank's request for Malaysia (US \$57,200) should be addressed by the Executive Committee in an overall strategy first, especially with regard to the differentiation between MDI importing and MDI producing countries. For the importing countries, the CFC consumption is not part of the national consumption. Therefore, the Secretariat recommends that the requested funding be removed from the national phase-out plan.

5. The World Bank is cognisant of the situation, however it wishes to bring the issue to the attention of the Executive Committee in a context of the national phase-out plan.

Support Cost

6. The Secretariat and the World Bank agreed to US \$951,053 in support cost calculated on the basis of 5% of the cost of project implementation and monitoring unit (US \$1,540,000) and 9% of the cost of balance (US \$9,711,701).

Total recommended funding

7. The total recommended funding would be US \$11,251,701 and US \$951,053 in support cost for the World Bank.

Draft Agreement for the national CFC phase-out plan for Malaysia

8. The Secretariat and the World Bank agreed on the attached draft Agreement for the implementation of the national CFC phase-out plan for Malaysia.



## Draft Agreement for the National CFC Phase-out Plan for Malaysia

The Executive Committee decided to approve, in principle, a total of US\$ 11,251,701 in funding for the phased reduction and complete phase-out of consumption of Annex A, Group I, chemicals in Malaysia. This is the total funding that would be available to Malaysia from the Multilateral Fund for the total elimination of the use of Annex A, Group I, chemicals and 33 ODP tons of 1,1,1-TCA from its current level of consumption. The agreed level of funding would be paid out in installments in the exact amount specified in paragraph (b), and on the basis of the following understanding:

(a) By this approval, Malaysia agrees that in exchange for the funding level specified in paragraph (b), it will reduce its 1,1,1-TCA consumption by 33 ODP tons by 2005, and also agrees to reduce its total Group I Annex A CFC consumption and undertake key activities in accordance with the following schedule:

Year	Max. Allowable Consumption Level (ODP MT)	Additional Performance Target
2002	1,855	<ul style="list-style-type: none"> <li>• Import control policy in place and operational;</li> </ul>
2003	1,566	<ul style="list-style-type: none"> <li>• Announcement of import quotas for CFCs from 2002 – 2010;</li> <li>• Criteria and procedures for financial support for investment projects completed and distributed;</li> </ul>
2004	1,136	<ul style="list-style-type: none"> <li>• Announcement of the MAC inspection programme;</li> <li>• Ban on the use of CFCs in the manufacturing sector in 2005 in place;</li> </ul>
2005	699	<ul style="list-style-type: none"> <li>• Annual MAC inspection requirement is operational;</li> <li>• Database of trained technicians in the MAC sector is functional;</li> </ul>
2006	579	
2007	490	
2008	401	
2009	332	
2010	0	

(b) In order to assist Malaysia in establishing its implementation structure within the country, and working toward the other reduction targets included in paragraph (a), the Executive Committee decides at its 35<sup>th</sup> meeting to provide US\$ 1,799,940 in funding to Malaysia upon approval of this agreement.

The Executive Committee has also agreed in principle that it will continue to provide funds at the level indicated below to support annual programmemes for this plan. In the annual work programmeme, a detailed description of the activities that have been implemented in the previous year as well as those undertaken in the year of plan with matching expenditures and a report on any changes that have been made from the original plan and budget, will be included. The funds for each annual programmeme will be provided before or within the period which the annual programmeme covers.

Annual Programmeme	Actual Amounts (US\$) To be paid
2001	1,799,940
2002	565,800
2003	4,151,061
2004	1,688,300
2005	1,208,300
2006	1,013,300
2007	275,000
2008	275,000
2009	275,000

Payments noted in this paragraph (other than the initial tranche for 2001 and 2002) are dependent upon submission of annual programmemes. In addition, payments for 2004 onwards are also conditioned upon confirmation by the implementing agency that the agreed reduction targets noted in paragraph (a) have been achieved. For example, payment in 2004 will be conditional on satisfactory verification by the implementing agency that Malaysia had, at a minimum, met its consumption target for 2002.

(c) Malaysia agrees to ensure accurate monitoring of the phase out, and to report regularly, consistent with its obligations under the Protocol and this agreement. Malaysia also agrees to allow for independent technical audits administered by the implementing agency, a periodic mid-term examination, every 2 – 3 years, to be administered as part of the annual work programmeme of the monitoring and evaluation of the Fund, and in addition, as may be directed by the Executive Committee to verify that annual consumption targets of Annex A, Group I chemicals and TCA agreed in paragraph (a) are actually met.

(d) The Executive Committee wishes to provide Malaysia with maximum flexibility in using the agreed funds to meet the reduction requirements agreed in paragraph (a). Accordingly, while the National CFC Phase-out Plan discussed during the preparation of this agreement may have included estimates of specific funds that were thought to be needed for specific items, the Executive Committee is of the understanding that with the exception of US\$1.54 million which must be used by the Government of Malaysia solely to implement, monitor and effectuate full compliance with this agreement and the Annex A, Group I chemicals phase-out, as long as expenditures are otherwise consistent with this agreement, the remaining funds provided to

Malaysia pursuant to this agreement may be used in any manner that Malaysia believes will achieve the smoothest and most efficient CFC phase-out.

(e) Malaysia agrees that the funds being agreed in principle by the Executive Committee at its 35<sup>th</sup> meeting for complete phase-out of its Group I Annex A CFC consumption is the total funding that will be available to it to enable its full compliance with the consumption phase-out requirements of Annex A, Group I chemicals of the Montreal Protocol, and that no additional Multilateral Fund resources will be forthcoming for any related activities. It is also understood that aside from the agency fee referred to in paragraph (g) below, Malaysia and the Multilateral Fund and its implementing agencies and bilateral donors will neither provide nor request further Multilateral Fund related funding for the accomplishment of the total phase-out of consumption of Annex A, Group I chemicals in accordance with the schedule noted above and the terms of the strategy being approved.

(f) Malaysia understands that if the Executive Committee meets its obligations under this agreement, but Malaysia does not meet the reduction requirements outlined in paragraph (a), and the other requirements outlined in this document, the implementing agency and the Multilateral Fund will withhold funding for the subsequent tranche until such time Malaysia has demonstrated that the implementation of its National CFC Phase-out Plan has been brought back on track, according to the schedule in paragraph (a). It is clearly understood that the fulfillment of this agreement depends on satisfactory performance of its obligations by both Malaysia and the Executive Committee.

(g) The World Bank has agreed to be the implementing agency for this project at a fee of US \$951,053 distributed during the time periods indicated in paragraph (b). As the implementing agency, the World Bank agrees to be responsible for:

- (1) Ensuring that technical reviews undertaken by the World Bank are undertaken by appropriate independent technical experts such as the OORG;
- (2) Assisting Malaysia in the development of its annual work programme which incorporates achievements of previous annual programmes;
- (3) Carrying out supervision missions as required;
- (4) Ensuring the presence of an effective operating mechanism to enable effective, transparent implementation of the programme and accurate, verified reporting of actual consumption reduction against the targets listed in paragraph (a);
- (5) Ensuring that disbursements are made to Malaysia based on agreed performance targets in the project, and the provisions of this agreement.

(h) The funding components of this decision shall not be modified on the basis of future Executive Committee decisions.

-----