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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
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PROJECT PROPOSAL: MALAYSIA

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

Phase-out

- National CFC phase-out plan: 2008 annual work programme World Bank

PROJECT DESCRIPTION

1. The World Bank, on behalf of the Government of Malaysia, is submitting the 2008 annual work programme of the National CFC phase-out plan and requesting the release of the 2008 tranche of funding at US \$275,000 plus the associated support cost of US \$24,750. The submission also includes the audit of the ODS imports of Malaysia for the year 2006 as a mandatory requirement for the release of the 2008 funds established in the Agreement between Malaysia and the Executive Committee. The 2008 annual work programme and the audit of the 2006 ODS imports are not attached but could be made available to members of the Executive Committee upon request.

Background

2. At its 35th Meeting, the Executive Committee approved the Malaysian CFC national phase-out plan and agreed, in principle, a total level of funding of US \$11,517,005 to be disbursed between 2002-2010 for eliminating the remaining consumption of 2,092 ODP tonnes of Annex A, Group I CFCs, 33 ODP tonnes of TCA and four ODP tonnes of carbon tetrachloride. Since its approval, the 2003 through the 2007 tranches have been released to the World Bank, with a total disbursement of US \$10,967,005.

3. The key data from the national phase-out plan and the 2008 annual work programme are summarized in the following table:

Country	MALAYSIA
Year of plan	2008
No. of years completed	6
No. of years remaining under the plan	2
Target ODS Consumption of the preceding year (2007)	<ul style="list-style-type: none"> • 490 ODP tonnes of Annex A, Group I Chemicals (CFCs) • 18 ODP tonnes of TCA • 0.68 ODP tonnes of CTC
Total	508.68 ODP tonnes
Target ODS Consumption of the year of plan (2008)	<ul style="list-style-type: none"> • 401 ODP tonnes of Annex A, Group I Chemicals (CFCs) • 18 ODP tonnes of TCA • 0.68 ODP tonnes of CTC
Total ODS	419.68 ODP tonnes
Total MLF funding approved in principle	US \$11,517,005
Total MLF funding released by Nov.2007	US \$10,967,005
Level of funding requested	Investments: USD 275,000 PMU costs: USD 0 Total: USD 275,000
IA Support Costs	Investments activities (9%): USD 24,750 PMU (5%): USD 0 Total: USD 24,750

2008 annual work programme

4. Part I of the work programme summarized the achievement of the programme in 2007. The audit of ODS imports in Malaysia for 2006 confirmed, as shown in the table below, that the actual consumption of CFCs, TCA and CTC stayed below the targets set in the agreement between the Government of Malaysia and the Executive Committee.

ODS Consumption in 2006, as reported to Ozone Secretariat

All data in ODP Tonnes	CFCs	1,1,1 TCA	CTC
Maximum allowable consumption in 2006	579	18	0.68
Imports in 2006 ¹	564.23	5.14	0

(¹): Reflects imports from January to December 2006 as shown in the audit report.

5. Data collected for the year 2007 also indicated similar encouraging results but have to be audited before they are submitted together with the 2009 annual work programme.

6. The conversion of ODS-dependent industries to alternatives has been completed in the country. Efforts in 2007 were focused on the phase-out activities in the CFC servicing sector, which included the continuation of the programmes of training and certification of service technicians; the procurement of CFC recovery and recycling equipment and basic tools for service stations; and providing this equipment to the eligible service workshops. At the same time there were continuing campaigns to disseminate information on moving away from CFC-based MDI products.

7. The phase-out plan continued to benefit from a number of new policies the government had introduced since 2000. Among these was the ban on the use of CFCs in the manufacturing sector by the end of 2005, and an amendment to the Malaysian Refrigerant Management Law approved by cabinet on 1 December 2004, requiring: (a) all refrigeration service shops (including MAC) to be equipped with R&R units; and (b) all service technicians who handle refrigerant to be trained and certified. Mandatory inspection of MAC systems of commercial vehicles was implemented with effect from December 2004. The new requirement is being enforced by the Department of Environment.

8. The write-up of the achievements of the 2007 work programme has been supplemented by a tabular presentation of the progress for each activity in Tables 3-6 of the World Bank submission covering the objective, target group, impact and status of implementation. The financial report for 2007 in Table 7 of the submission provides data on disbursement in 2006, cumulative disbursement by December 2006, disbursement in 2007 as well as cumulative disbursement as of December 2007. There is also data on cumulative disbursement by approved funding tranche in Table 8. Of the total approved funds of US \$10,967,005, US \$9,049,040 had been disbursed by December 2007.

9. Part II of the submission contains the proposed 2008 work programme which sets the consumption ceiling at 419.68 ODP tonnes, broken down into 401 ODP tonnes for CFCs, 18 ODP tonnes for TCA and 0.68 ODP tonnes for CTC, which are consistent with the targets provided for in the agreement. The programme contains a description of the activities to be undertaken by the government such as the verification of the ODS consumption level and the enforcement of the policies that have been introduced. Since conversion activities for ODS-dependent industries have been completed, efforts will focus on the components of the programme that will enable the gradual phase out of CFCs in the servicing sector. These ongoing activities include training of technicians, and distribution of basic MAC servicing tools and R&R units to the eligible service workshops. The government intends to extend the operation of the project management unit (PMU) until the end of 2009 since it continues to need the unit to assist in implementing the ongoing programme. The PMU is planning a major public awareness campaign in 2008 as the final day for CFC phase-out is drawing near.

10. There is a tabular presentation of the objective, target group, impact and status of each activity under industry action in Table 12 of the submission. Table 13 presents the actions to be taken by the Government in 2008 with information on policy planned and a schedule of completion, and status. The proposed budget for the 2008 annual work programme provides a breakdown of the planned expenditures over 16 items of activities for a total expected outlay of US \$1.6 million. Some of the funds would come from the unspent balance from previous years. The proposed budget also anticipates re-allocation of some of the fund balance from completed projects to the MAC project.

Audit of ODS imports

11. The audit of imports of CFCs, TCA and CTC for the year 2006 was done by a certified auditor on behalf of the Auditor General of Malaysia. The auditor started by examining the procedures for issuing import quota implemented by the Ministry of International Trade and Industry (MITI), and went on to verify the quotas issued to 14 of the 15 authorized importers. This was followed by comparing the records on ODS imports between those from MITI and those from the Department of Statistics. The data from the latter came from Customs.

12. The auditors found that the MITI introduced amendments in 2006 to the regulation on the management of ODS import license/quotas and required the importers to notify MITI on the balance of the quota each time that an import arrived but also found that MITI did not enforce the amendments with those importers that did not comply. That caused inconsistency in a number of cases between the data from MITI and Customs. Although this was clarified at the joint meetings with these departments, the auditors recommended that MITI should enforce their regulations in future.

13. On the whole the auditors were satisfied with the control of ODS imports implemented by the government and concluded that the total ODS imports in 2006 was 569.33 ODP tonnes breaking down to 564.23 ODP tonnes for CFC, 5.1 ODP tonnes for TCA and zero for CTC, which were below the allowable quota of 597.68 ODP tonnes as established in the agreement.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

14. The report on the 2008 work programme was prepared in accordance with the Guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans approved at the 38th Meeting (decision 38/65). The report on the 2007 work programme showed good progress in reducing CFC, TCA and CTC consumption and the completion of the industry conversion activities.

15. The report on the verification of CFC, TCA and CTC 2006 imports shows that the Government of Malaysia has implemented a functioning licensing control system for ODS imports. The verification was carried out using a sound methodology, and used data from varied sources for the purpose of validation.

16. In spite of the success of the plan so far, the relatively narrow margin between the allowable ODS imports (597 ODP tonnes) and the actual imports (569 ODP tonnes) as shown in the verified 2006 imports still warrants attention and seems to indicate relatively strong demand for ODS. Since the remaining phase-out activities would be in the refrigeration servicing sector that may require greater efforts by the government and industry to complete the phase-out of CFCs by 2010.

17. The proposed 2008 annual programme presents clear phase-out targets, which are consistent with those in the agreement. The proposed programme includes a series of actions which will assist in preparing the country for completing the CFC phase-out in the servicing sector.

RECOMMENDATION

18. The Secretariat recommends that the Executive Committee approves the 2008 work programme of the CFC national phase-out plan in Malaysia at the requested funding level of US \$275,000 plus the associated support cost of US \$24,750 for the World Bank.
