



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/59/37  
12 October 2009



ORIGINAL: ENGLISH

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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-ninth Meeting  
Port Ghalib, Egypt, 10-14 November 2009

**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: 2009 annual work programme World Bank

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**Malaysia**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
ODS phase out plan	IBRD

<b>(II) LATEST ARTICLE 7 DATA (ODP Tonnes)</b>					<b>Year: 2008</b>
CFC: 173.7	CTC: 0	Halons: 0	MB: 8.2	TCA: 5.8	

<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)</b>											<b>Year: 2008</b>		
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffina	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC					173.7								173.7
CTC													0
Halons													0
Methyl Bromide									133.4	8.2			141.6
Others													0
TCA						5.8							5.8

<b>(IV) PROJECT DATA</b>			2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
<b>Montreal Protocol Consumption Limits</b>		CFC		3,271.1	3,271.1	3,271.1	1,635.6	1,635.6	490.7	490.7	490.7	0.	
		TCA			49.5	49.5	34.7	34.7	34.7	34.7	34.7	14.9	
		CTC					0.7	0.7	0.7	0.7	0.7	0.7	
<b>Maximum Allowable Consumption (ODP Tonnes)</b>		CFC		1,855.	1,566.	1,136.	699.	579.	490.	401.	332.	0.	
		CTC		4.5	4.5	4.5	0.7	0.7	0.7	0.7	0.7	0.	
		TCA		51.	48.	48.	18.	18.	18.	18.	18.	0.	
<b>Project Costs (US\$)</b>	IBRD	Project Costs	1,799,940.	2,969,065.	2,013,100.	1,688,300.	1,208,300.	1,013,300.	275,000.	275,000.	275,000.		11,517,005.
		Support Costs	140,395.	259,216.	169,179.	143,947.	100,747.	83,197.	24,750.	24,750.	24,750.		970,931.
<b>Total Funds Approved in Principle (US\$)</b>		Project Costs	1,799,940.	2,969,065.	2,013,100.	1,688,300.	1,208,300.	1,013,300.	275,000.	275,000.	275,000.		11,517,005.
		Support Costs	140,395.	259,216.	169,179.	143,947.	100,747.	83,197.	24,750.	24,750.	24,750.		970,931.
<b>Total Funds Released by the ExCom (US\$)</b>		Project Costs	1,799,940.	2,969,065.	2,013,100.	1,688,300.	1,208,300.	1,013,300.	275,000.	275,000.	0.		11,242,005.
		Support Costs	140,395.	259,216.	169,179.	143,947.	100,747.	83,197.	24,750.	24,750.	0.		946,181.
<b>Total Funds Requested for Current Year (US\$)</b>		Project Costs									275,000.		275,000.
		Support Costs									24,750.		24,750.

<b>(V) SECRETARIAT'S RECOMMENDATION:</b>	<b>BLANKET APPROVAL</b>
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## PROJECT DESCRIPTION

1. The World Bank, on behalf of the Government of Malaysia, is submitting the 2009 annual work programme of the National CFC phase-out plan (NPP) and requesting the release of the 2009 tranche of funding at US \$275,000 plus the associated support cost of US \$24,750. This represents the last tranche for the NPP of Malaysia. The submission also includes the audit of the ODS imports of Malaysia for the year 2007 as a mandatory requirement for the release of the 2009 funds established in the agreement between Malaysia and the Executive Committee. The 2009 annual work programme and the audit of the 2007 ODS imports are available to members of the Executive Committee upon request.

### Background

2. At its 35<sup>th</sup> 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, funding tranches from 2002 through to 2008 have been released to the World Bank, with a total disbursement of US \$11,242,005.

3. The key data from the national phase-out plan and the 2009 annual work programme are summarized in the following table:

<b>Country</b>	<b>MALAYSIA</b>
Year of plan	2009
No. of years completed	7
No. of years remaining under the plan	1
Target ODS Consumption of the preceding year ( <b>2008</b> )	<ul style="list-style-type: none"> <li>• 401 ODP tonnes of Annex A, Group I Chemicals (CFCs)</li> <li>• 18 ODP tonnes of TCA</li> <li>• 0.68 ODP tonnes of CTC</li> </ul>
<b>Total</b>	<b>419.68 ODP tonnes</b>
Target ODS Consumption of the year of plan ( <b>2009</b> )	<ul style="list-style-type: none"> <li>• 332 ODP tonnes of Annex A, Group I Chemicals (CFCs)</li> <li>• 18 ODP tonnes of TCA</li> <li>• 0.68 ODP tonnes of CTC</li> </ul>
<b>Total ODS</b>	<b>350.68 ODP tonnes</b>
Total MLF funding approved in principle	US \$11,517,005
Total MLF funding released since approval	US \$11,242,005
Level of funding requested	Investments: USD 275,000 PMU costs: USD 0 <b>Total: USD 275,000</b>
IA Support Costs	Investments activities (9%): USD 24,750 PMU (5%): USD 0 <b>Total: USD 24,750</b>

### 2009 annual work programme

4. Part I of the work programme summarized the achievement of the programme in 2008. The audit of ODS imports in Malaysia for 2007 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 2007, as reported to Ozone Secretariat**

All data in ODP Tonnes	CFCs	1,1,1 TCA	CTC
Maximum allowable consumption in 2007	490	18	0.68
Imports in 2007 <sup>1</sup>	234.16	5.77	0

(<sup>1</sup>): Reflects imports from January to December 2007 as shown in the audit report.

5. Data collected for the year 2008 also indicated similar encouraging results but have to be audited before they are submitted together with the 2010 annual work programme.

6. Since conversion activities for ODS-dependent industries have been completed, the efforts for 2008 focused on activities in the servicing sector. During this period, activities completed include training of technicians, and distribution of basic MAC servicing tools and R&R units to the eligible service workshops. Mandatory inspection of MAC systems in commercial vehicles as part of the current regulation continued to be implemented. Two customs training workshops were also completed.

7. With reference to the MDI programme, workshops were conducted for medical professionals on the MDI transition strategy for the country, as well as the impacts of CFCs on ozone depletion.

8. The NPP also continued to conduct ODS awareness programmes, which included major announcements especially for International Ozone Day in 2008 as CFC phase-out is drawing near.

9. The presentation of the achievements of the 2008 work programme has been supplemented by a tabular presentation of the progress for each activity in Tables 3-6 of the World Bank's submission covering the objective, target group, impact and status of implementation. The financial report for 2008 in Table 7 of the submission provides data on disbursement in 2007, cumulative disbursement by December 2007, disbursement in 2008 as well as cumulative disbursement estimated as of December 2008. Table 8 also provided information on cumulative disbursement by approved funding tranche. Of the total approved funds of US \$11,242,005, US \$9,890,960 had been disbursed by December 2008.

10. Part II of the submission contains the proposed 2009 work programme which sets the consumption ceiling at 350.68 ODP tonnes, broken down into 332 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, in particular the remaining technical assistance projects as well 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 ensuring and sustaining the current work to enable the continued phase out of CFCs in the servicing sector. These ongoing activities include, completing the remaining training for MAC service technicians as well as their certification, and completing remaining equipment procurement under the voucher system. Training of customs and activities for the MDI sector will also be implemented during this period.

11. The details for these activities are presented in Tables 11 to 13 of the submission. Table 14 presents the actions to be taken by the Government in 2009. The proposed budget for the 2009 annual work programme provides a breakdown of the planned expenditures for a total expected outlay of US \$1.35 million. Some of the funds would come from the unspent balance from previous years.

## **Audit of ODS imports**

12. The audit of imports of CFCs, TCA and CTC for the year 2007 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. Only 8 out of the 14 importers actually brought in CFCs in 2007, and one company imported TCA.

13. The auditors noted that the MITI introduced amendments in 2006 to the regulation on the management of ODS import license/quotas and required the importers to report on quota used as well as the balance of the quota each time that an import arrived. The auditors found that despite MITI ensuring that the importers were informed about these reporting requirements, none of them complied. No sanctions were also imposed on this non-reporting. Although this did not cause an inconsistency in the data provided for this audit, it was noted that this reporting requirement should be enforced to be able to strictly monitor import between MITI and customs.

14. The audit report also found that one company had possibly illegally imported ODS, while another had import in excess of its quota. Upon further investigation and discussion, it was discovered that the substance that was “illegally” imported was HCFC-22, and was wrongly coded in the system. The case of excess imports was also for HCFC-141b and was also due to wrong codes.

15. 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 2007 was 234.16 ODP tonnes of CFCs and 5.7 ODP tonnes for TCA and zero for CTC, which were below the allowable quota of 482.8 ODP tonnes for CTCs and 18 ODP tonnes for TCA as established in the agreement. The auditors also included a recommendation that MITI should not process the application of any importer who fails to comply with the reporting requirement described above.

## **SECRETARIAT’S COMMENTS AND RECOMMENDATIONS**

### **COMMENTS**

16. 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 38<sup>th</sup> Meeting (decision 38/65). The report showed good progress in reducing CFC, TCA and CTC consumption and sustaining the efforts especially for the servicing sector.

17. The Secretariat sought clarification from the World Bank on the status of implementation of the activities listed in the work plan for 2009, as this tranche was due to have been requested in July 2009 and a number of the deadlines indicated in the work plan were for dates earlier than November 2009. The World Bank provided information that the activities for the 2009 work programme have been carried out and that the budget for 2009 has been utilized. They provided a new expenditure report that shows these disbursements and indicates that their current balance, which will be carried over to 2010 stands, at US \$419,971.72.

18. The report on the verification of CFC, TCA and CTC 2007 imports shows that the Government of Malaysia continues to implement a functioning licensing control system for ODS imports. The verification was carried out using a sound methodology, based on data from varied sources for the purpose of validation.

19. The Secretariat also requested the World Bank to provide a verification report for the imports in 2008, as its report indicated that this was to be completed in August 2009. The World Bank provided this report, and it can be made available to the Executive Committee upon request. This verification also confirms the reductions in imports by Malaysia and shows them to be in compliance with their allowable ODS consumption. The Secretariat however reiterated to the World Bank that since the remaining phase-out activities would be in the refrigeration servicing sector greater efforts by the Government and industry may be required to complete the phase-out of CFCs by 2010.

20. The proposed 2009 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 to complete the CFC phase-out in the servicing sector.

**RECOMMENDATION**

21. The Secretariat recommends that the Executive Committee:

- (a) Takes note of the 2008 progress report and the associated 2007 and 2008 verification reports;
- (b) Approves the 2009-2010 annual implementation programme;
- (c) Requests the Government of Malaysia and the World Bank to provide a verification of the 2009 consumption targets by the last meeting of 2010, as well as a report on the activities undertaken until the financial closure of the phase-out plan takes place; and

22. The Secretariat further recommends blanket approval of the last tranche of the NPP for Malaysia with associated support costs, at the level of funding indicated in the table below:

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	National CFC phase-out plan (ninth tranche)	275,000	24,750	World Bank

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