

Annex XIII

AGREEMENT FOR THE NATIONAL CFC PHASE-OUT PLAN FOR MALAYSIA

1. The Executive Committee decided to approve, in principle, a total of US \$11,517,005 in funding for the phased reduction and complete phase-out of consumption of Annex A, Group I, CFCs 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, CFCs; 1,1,1-TCA; and CTC from its current level of consumption. The agreed level of funding would be paid out in instalments in the exact amount specified in paragraph 3, and on the basis of the following understanding:

2. By this approval, Malaysia agrees that in exchange for the funding level specified in paragraph 3, it will eliminate its 1,1,1-TCA and CTC consumption by 2010 (except any consumption that is considered by the Parties as essential uses), and also agrees to reduce its total Annex A, Group I, CFCs consumption and undertake key activities in accordance with the following schedule:

Year	Max. Allowable Consumption Level for Annex A Group I (ODP tonnes)	Max. Allowable Consumption Level for 1,1,1-TCA (ODP tonnes)	Max. Allowable Consumption Level for CTC (ODP tonnes)	Additional Performance Target
2002	1,855	51	4.51	• Import control policy in place and operational;
2003	1,566	48	4.51	• Announcement of import quotas for CFCs from 2002 – 2010; • Criteria and procedures for financial support for investment projects completed and distributed;
2004	1,136	48	4.51	• Announcement of the MAC inspection programme; • Ban on the use of CFCs in the manufacturing sector in 2005 in place;
2005	699	18	0.68	• Annual MAC inspection requirement is operational; • Database of trained technicians in the MAC sector is functional;
2006	579	18	0.68	
2007	490	18	0.68	
2008	401	18	0.68	
2009	332	18	0.68	
2010	0	0	0	

3. In order to assist Malaysia in establishing its implementation structure within the country, and working toward the other reduction targets included in paragraph 2, the Executive Committee decides at its 35th 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 programmes for this plan. In the annual work programme, 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 programme will be provided before or within the period which the annual programme covers.

Annual Programme	Actual Amounts (US\$) To be paid
2001	1,799,940
2002	2,969,065
2003	2,013,100
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 programmes. In addition, payments for 2004 onwards are also conditioned upon confirmation by the implementing agency that the agreed reduction targets noted in paragraph 2 and relevant performance milestone 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.

4. 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 programme 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, CFCs; 1,1,1-TCA; and CTC agreed in paragraph 2 are actually met.

5. The Executive Committee wishes to provide Malaysia with maximum flexibility in using the agreed funds to meet the reduction requirements agreed in paragraph 2. 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, CFCs; 1,1,1-TCA; and CTC 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 phase-out of the above chemicals.

6. Malaysia agrees that the funds being agreed in principle by the Executive Committee at its 35th meeting for complete phase-out of its Annex A, Group I, CFCs; 1,1,1-TCA; and CTC 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, CFCs; 1,1,1-TCA; and CTC 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 8 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, CFCs; 1,1,1-TCA and CTC in accordance with the schedule noted above and the terms of the strategy being approved.

7. Malaysia understands that if the Executive Committee meets its obligations under this agreement, but Malaysia does not meet the reduction requirements outlined in paragraph 2, 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 2. It is clearly understood that the fulfilment of this agreement depends on satisfactory performance of its obligations by both Malaysia and the Executive Committee.

8. The World Bank has agreed to be the implementing agency for this project at a fee of 5 percent for the project implementation and monitoring activity and 9 percent for all investment and other activities. The fee will be distributed over the timeframe of this Plan. The World Bank is given flexibility, on request of the Government of Malaysia, to subcontract Sweden to undertake activities in certain sectors covered under the National CFC Phase-out Plan. As the implementing agency, the World Bank agrees to be responsible for:

- (a) Ensuring that technical reviews undertaken by the World Bank are undertaken by appropriate independent technical experts such as the OORG;
- (b) Assisting Malaysia in the development of its annual work programme which incorporates achievements of previous annual programmes;
- (c) Carrying out supervision missions as required;
- (d) 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 2;
- (e) Ensuring that disbursements are made to Malaysia based on agreed performance targets in the project, and the provisions of this agreement;

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