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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fortieth Meeting  
Montreal, 16-18 July 2003

**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: 2003 annual work programme World Bank

## **PROJECT DESCRIPTION**

### **Background**

1. At its 35<sup>th</sup> Meeting, the Executive Committee approved the Malaysian CFC national phase-out plan and agreed, in principle, a total 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 1,1,1 TCA and 4 ODP tonnes of carbon tetrachloride. Since its approval, the 2001 and 2002 tranches have been released to the World Bank, with a total disbursement of US \$4,769,005. According to the terms of the Agreement, the World Bank is submitting the 2003 annual work programme, the first such programme under the national phase-out plan and requesting the release of the 2003 tranche of funding at US \$2,013,100 plus the associated support cost at US \$169,179. The submission consists of a progress report on the implementation of the 2002 work programme, the proposed 2003 work programme, and a report by a certified auditor on the CFC imports in 2002. The 2003 annual work programme of the national CFC phase-out plan of Malaysia is attached.

### **Progress on the 2002 implementation of the Agreement**

2. Progress on the implementation of the 2002 work programme reported a total actual consumption of 1,671.30 ODP tonnes of CFCs, 1,1,1 TCA and CTC, with a breakdown of 305 ODP tonnes for manufacturing industries and 1,360 ODP tonnes for the servicing sector. These are all below the 2002 targets set in the Agreement: total consumption of CFC, 1,1,1 TCA and CTC set at 1,910.51 ODP tonnes, broken down into 532.51 ODP tonnes for manufacturing industries and 1,378 ODP tonnes for servicing. This reduction in consumption was reported to have been achieved through a combination of implementation of projects approved prior to the national phase-out plan and economic factors. Under the category of technical assistance, there was a description of the activities which were carried out in 2002, ranging from MDI, mandatory requirement for MAC inspection, train-the-trainer and certification programme for MAC service technicians, customs training to establishment of the project management unit. The description is supplemented by a tabular presentation of the progress of each activity, covering the objective, target group, impact and status of implementation. The financial report of 2002 provides data on the planned expenditure (US \$746,000) versus the actual expenditure (US \$550,891) of 6 activities, as well as planned commitment in 2003.

### **2003 annual work programme**

3. The 2003 work programme provided targets for the consumption of CFC (1,566 ODP tonnes), 1,1,1 TCA (48 ODP tonnes) and CTC (4.51 ODP tonnes), which are consistent with the targets provided for in the Agreement. There was a description of the 7 categories of technical assistance activities to be undertaken, and a tabular presentation of the objective and impact of such activities. The 2003 work programme projected an increase in the consumption in 2003 in the manufacturing sectors by 146.95 ODP tonnes and a decrease in the servicing sector by 200 ODP tonnes. The proposed budget for the 2003 annual work programme provided a breakdown of the planned expenditures over 11 items of activities for a total expected outlay of US \$2,013,100.

## **Audit of ODS imports**

4. The audit of imports of CFC, 1,1,1 TCA and CTC for the year 2002 was done by a certified auditor on behalf the Auditor General of Malaysia. The audit examined the procedures for issuing import quota against Application Import License executed by the Ministry of International Trade and Industry (MITI), and the procedures for import control executed by the Royal Customs Department, described the procedures for conducting the audit and presented the findings. The audit report concluded that the procedures employed for ODS import control were satisfactory and recommended that the Department of Environment should not rely solely on the secondary data from the Department of Statistics (DOS), but should verify by reconciling the import data from the DOS and MITI in the future.

## **SECRETARIAT'S COMMENTS AND RECOMMENDATIONS**

### **COMMENTS**

5. The progress report and the 2003 work programme were prepared in accordance with the Guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans (UNEP/OzL.Pro/ExCom/38/57) approved at the 38<sup>th</sup> Meeting. The Secretariat communicated its comments to the World Bank on the submission. The Bank provided clarifications to the Secretariat's comments and revised the work programme accordingly. Therefore, the following comments have taken into account of the clarifications provided by the World Bank.

### **Detailed information on the results of phase-out activities in 2002**

6. The provisions of the Agreement do not require the submission of an annual work programme for the year 2002 and the project document submitted to the 35<sup>th</sup> Meeting of the Executive Committee as the basis for the Agreement did not include details on the 2002 work programme. Therefore, assessing the progress reported for the year 2002 is made difficult by the very general nature of the reported data (e.g. footnote 1 on page 4 is all that is provided on the phase-out activities in the manufacturing industries in 2002). In the absence of specifics on the phase-out from ongoing projects, or the comparative production levels of the enterprises affected by economic downturn between 2001 and 2002, for instance, it is hard to determine which of the two factors is more responsible for the lower CFC consumption

7. The report on project financial data covered only US \$746,000 as planned expenditure of which US \$550,891 had been spent as of this reporting. However, the total transfer from the Fund to the World Bank for 2001 and 2002 tranches was US \$4,769,005. There was no full account of the total transfer in the submission in spite of the supplementary data provided on the planned commitment in 2003.

## **Report of certified auditor**

8. The report provides a full description of the system for the national licensing control of ODS imports, as well as a verification of the CFC supply in Malaysia for the year 2002. The methodology used is sound. The Government of Malaysia and the World Bank should be commended for this effort, and should be requested to apply an equally credible methodology for the verification of the CFC consumption in Malaysia for the year 2002 in 2004.

## **RECOMMENDATIONS**

The Secretariat recommends that the Executive Committee:

1. Approve the 2003 work programme of the Malaysia CFC national phase-out plan at the requested funding level of US \$2,013,100 and the associated support cost of US \$169,179 for the World Bank.
2. Commend the Government of Malaysia and the World Bank for the good effort in providing an audit of the CFC imports for the year 2002, and request the World Bank to apply an equally credible methodology for the verification of the CFC consumption in Malaysia for the year 2002 in 2004.
3. Request the World Bank to provide in future work programme submissions a full account of the funds it has received pursuant to the Agreement.

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Malaysia ODS Phase-out Project: National CFC  
Phase-out Plan (NCFCP)

**CY 2003: Annual Work Program (AWP2003)**

Submitted to the Executive Committee

Prepared by:

**Ozone Protection Section**

The Department of Environment (DOE)  
Ministry of Science, Technology and Environment  
MALAYSIA

15 May 2003

## 1. DATA

Country	<b>MALAYSIA</b>
Year of plan	2003
No. of years completed	1
No. of years remaining under the plan	7
Target ODS Consumption of the preceding year (2002)	<ul style="list-style-type: none"> <li>• 1,855 ODP MT of Annex A, Group I Chemicals (CFCs)</li> <li>• 51 ODP MT of TCA</li> <li>• 4.51 ODP MT of CTC</li> </ul>
<b>Total</b>	<b>1,910.51 ODP MT</b>
Target ODS Consumption of the year of plan (2003)	<ul style="list-style-type: none"> <li>• 1,566 ODP MT of Annex A, Group I Chemicals (CFCs)</li> <li>• 48 ODP MT of TCA</li> <li>• 4.51 ODP MT of CTC</li> </ul>
<u>Total ODS</u>	<b>1,618.51 ODP MT</b>
Level of funding requested	USD 2,013,100
Lead implementing agency	The World Bank
Co-operating agency (ies)	Nil

## 2. TARGETS

<b>Targets:</b>						
<b>Indicators</b>		<b>Chemicals</b>	<b>Preceding Year (2002)</b>	<b>Year of Plan (2003)</b>	<b>Reduction</b>	
<b>Supply of ODS</b>	<b>Import</b>	CFCs	1,855 ODP MT	1,566 ODP MT	289 ODP MT	
		TCA	51 ODP MT	48 ODP MT	3 ODP MT	
		CTC	4.51 ODP MT	4.51 ODP MT	0 ODP MT	
	<b>Production</b>	--	--	--	--	
	<b>Total (1)</b>	CFCs	1,855 ODP MT	1,566 ODP MT	289 ODP MT	
		TCA	51 ODP MT	48 ODP MT	3 ODP MT	
		CTC	4.51 ODP MT	4.51 ODP MT	0 ODP MT	
	<b>Demand of ODS</b>	<b>Manufacturing</b>	CFCs	477 ODP MT	400 ODP MT	77 ODP MT
			TCA	51 ODP MT	48 ODP MT	3 ODP MT
CTC			4.51 ODP MT	4.51 ODP MT	0 ODP MT	
<b>Servicing</b>		CFCs	1,378 ODP MT	1,166 ODP MT	212 ODP MT	
<b>Stockpiles</b>		--	---	---	---	
<b>Total (2)</b>		CFCs	1,855 ODP MT	1,566 ODP MT	289 ODP MT	
		TCA	51 ODP MT	48 ODP MT	3 ODP MT	
		CTC	4.51 ODP MT	4.51 ODP MT	0 ODP MT	

### 3. INDUSTRY ACTION

Sector	Actual Consumption Preceding Year (ODP MT) 2002 <sup>1</sup>	Target Consumption Year of Plan (ODP MT) 2003 <sup>2</sup>	Reduction Within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-out (in ODP tones)
	(1)	(2)	(1)-(2)			
<b>Manufacturing</b>						
Aerosol	8	20	- 12	2		- 12
Foam	222.58	265	- 42.42	10		- 42.42
Refrigeration	62	112.3	- 50.3	2		- 50.3
Solvents	12.8	55.03	- 42.23	2		- 42.23
Other	-	-	-	-		-
<b>Total</b>	<b>305.38</b>	<b>452.33</b>	<b>- 146.95</b>	<b>16</b>		<b>- 146.95</b>
<b>Servicing</b>						
Refrigeration	1,366	1,166	200	-	7	200
<b>Total</b>	<b>1,366</b>	<b>1,166</b>	<b>200</b>	<b>-</b>	<b>7</b>	<b>200</b>
<b>GRAND TOTAL</b>	<b>1,671.38</b>	<b>1,618.33</b>	<b>53.05</b>	<b>16</b>	<b>7<sup>3</sup></b>	<b>53.05</b>

*Note:* The represented figures refer to Annex A Group I, Chemicals (CFCs), 1,1,1-TCA, and CTC.

<sup>1</sup> Figures of ODS consumption used in each sub-sector in manufacturing in year “2002” are lower than the targeted because of early phaseout of CFC from on-going sub-projects and lower production encountered from economic crisis. However, it is expected that annual production in each sub-sector will be increase when the economic conditions improve;

<sup>2</sup> ODS consumption used in each sub-sector in manufacturing in year “2003” are estimated figures. However, actual consumption in 2003 cannot be determined at the time being and will be determine at a later stage;

<sup>3</sup> Seven activities are (i) Operation of MASHRAE Project, (ii) Chiller Replacement/Retirement, (iii) Retirement of CFC-12 Domestic Refrigerators, (iv) Retirement of CFC-12 Refrigerator Containers, (v) New Vehicle Inspection Requirement Upgrading Capacity of Inspection Stations, (vi) Train-the-Trainer Program and Certification of MAC Service Technicians, and (vii) Financial Subsidy for R&R Machines.



#### 4. TECHNICAL ASSISTANCE --- CY 2002 [*Preceding Year*]

DOE has initiated formal discussion with the concerned agencies in order to establish working groups to formulate sector policies and prepare action plan for each activities. Brief description of activities undertaken is provided in table below.

MDI: A working group, chaired by the Department of Pharmaceutical Control, was established in late 2002. The working group proposed to appoint a consultant to prepare a report describing the current situation of the CFC MDI and non- CFC MDI markets in Malaysia and the existing policy framework for promoting the transition to non-CFC MDI products or other alternatives. This report will serve as a discussion paper for the working group. Moreover, the MDI workshop was organized in October 2002 and there were representatives from related agencies participating in this workshop.

Mandatory Requirement for MAC Inspection: DOE initiated discussion with the Road Transport Department, PUSPAKOM and DOE's mobile vehicle inspection unit. A representative from the Road Transport Department participated in the workshop on the National CFC Phase-out Plan held by the Bank in December 2002. Implementation modalities for the Mandatory MAC Inspection Requirement including regulatory requirement were discussed among these agencies.

Train-the-Trainer Program for MAC Service Technicians and Certification of MAC Service Technicians: The scope of works for the consultant to carry out this activity has been finalized and finalization of this TOR is expected in early 2003. The consultant will be responsible for developing a training module, providing training to the authorized training centers, and coordinating procurement equipment. In addition, the implementation modality for acquisition of equipment (using voucher scheme) was also agreed during the year. In parallel, DOE has identified the right person/entity whose qualifications meet the minimum requirement for the assignment.

Custom Training: DOE initiated discussion with the Customs Department and the Custom Training Center (Royal Customs Academy Malaysia, AKMAL). A representative of AKMAL attended a workshop on the National CFC Phase-out Plan held by the Bank in December 2002. This person also planned to participate in the Customs Training Workshop conducted by UNEP in Philippines in February 2003. A number of discussion on ways and means to inspect and proceed with the customs training program were discussed among DOE, Customs, and the Bank. The customs training is expected to commence in 2003.

Project Management Unit: DOE has initiated a process to establish a Project Management Unit (PMU) comprising of at least 4 staff members: Senior Technical Officer, Technical Officer, Public Outreach Officer, and Project Accountant. TORs for these consultants have been prepared and the consultants will be selected in line with the Bank procurement guidelines for consultants. The consultant selection process was discussed with the Bank. With regard to public awareness activities, DOE organized a workshop in January 2002 and a seminar on International Ozone Day aiming to disseminate information on NCFCP strategies and the Government policy relevant stakeholders in the government sector and the general public. In addition, DOE participated in a number of training and/or workshop in the country to disseminate information regarding the NCFCP. As for regulatory support, DOE has initiated the discussion on actions regarding regulatory requirements as proposed in the NCFCP proposal.

Technical assistance that have been carried in CY 2002 could be summarized as follows:

No.	Proposed Activity	Objective	Target Group	Impact	Status/Remarks
	<b>Technical Assistance for MDI Sector</b>	To increase awareness on CFC MDI transition plan	Pharmaceutical Association, Doctors, MDI Importers, and Patients	To promote the use of non-CFC MDI	
1	Selection of consultant				<ul style="list-style-type: none"> <li>* Selection of consultant could not be completed due to the delay in establishing the working group.</li> <li>* The working group established in late 2002 has initiated discussion regarding scope of work.</li> <li>* TOR for the consultant will be finalized in 2003.</li> </ul>
2	Consultation process				<ul style="list-style-type: none"> <li>* Consultation process by the consultant has not been initiated as the consultant is not on board.</li> <li>* Internal consultation process among relevant agencies has been started in late 2002 by organizing a MDI workshop.</li> </ul>
	<b>Mandatory Requirement for MAC Inspection</b>	To prevent HFC MAC system from any retrofitting for using with CFC-12	PUSPAKOM and DOE's mobile vehicle inspection unit	Reduction of CFC-12 consumption in MAC service sector and increase awareness of vehicle's owners	
1	Development of a Standard Inspection Manual				<ul style="list-style-type: none"> <li>* Selection of consultant to develop the manual was delayed due to lack of PMU in 2002.</li> <li>* DOE therefore decided to proceed with development of TOR and selection of consultant in close consultation with relevant agencies.</li> </ul>

					<ul style="list-style-type: none"> <li>* Selection of consultant will be completed in 2003.</li> <li>* Soon after consultant is on board, development of Standard Inspection Manual will be initiated immediately.</li> </ul>
2	-				Actions regarding regulatory requirements were discussed.
	<b>Train-the-Trainer Program for MAC Service Technicians and Certification of MAC Service Technicians</b>	Increase technical capacity of the MAC service shops	Authorized Training centers and MAC service shops	Reduction of CFC-12 consumption in MAC service from repairing MAC system properly	
1	Train-the-Trainer programme				<ul style="list-style-type: none"> <li>* Selection of a consultant was delayed due to lack of PMU in 2002.</li> <li>* DOE therefore decided to proceed with development of TOR. The scope of works for the consultant to carry out this activity has been finalized and finalization of this TOR is expected in early 2003.</li> <li>* Selection of a consultant will be completed by March 2003.</li> <li>* Soon after a consultant is on board, the consultant will develop training module and provide training to the authorized training centers.</li> </ul>
	<b>Custom Training Program</b>	Build technical capacity of custom officials to inspect the import chemicals	Custom officials	Strengthen effectiveness of import control system of CFC	
1	Development of a Training Course				<ul style="list-style-type: none"> <li>* Selection of a consultant was delayed due to lack of PMU in 2002.</li> <li>* DOE therefore decided to proceed with development of TOR and selection of a consultant will be completed</li> </ul>

					in 2003. * In the meantime, DOE initiated discussion with the Customs Department and the Custom Training Center (AKMAL) and plan to have a representative from the Custom Training Center to participate in the Custom Training Workshop undertaken by UNEP in Philippines in February 2003.
	<b>Project Management Unit</b>	To provide Government with necessary support to carry out all activities proposed under this plan	DOE	Strengthen capacity of Government to carry out the NCFCP to ensure timely and effective preparation and execution of the project activities	
1	Set up of PMU				* DOE has initiated a process to establish a Project Management Unit (PMU) comprising of at least 4 staff members: Senior Technical Officer, Technical Officer, Public Outreach Officer, and Project Accountant. * TORs for these consultants have been prepared. * Consultant selection process is underway.
2	Implementation Assistance				DOE proceeded with preparation of Foam subproject by preparing TOR and proceed with selection of consultant to assist the enterprises to prepare proposals in foam sector.
3	Public Awareness Activities				DOE has organized a workshop in January 2002 and a seminar on International Ozone Day aiming to disseminate information on NCFCP strategies and the

					Government policy relevant stakeholders in the government sector and the general public.
4	Regulatory Support				Actions regarding regulatory requirements were discussed among relevant agencies.

**4. TECHNICAL ASSISTANCE ---CY 2003 [Year of Annual Work Program] – as of 10 May 2003**

MDI: The working group has prepared a draft TOR for the consultant and it is expected to be finalized in August 2003. The working group will also identify the expert who is capable of undertaking this assignment and DOE will secure no objection from the Bank before hiring him/her. The preparation of the strategy will start in 2003 and will be completed in 2004.

Mandatory Requirement for MAC Inspection: Regarding the proposal to include MAC testing as part of DOE’s road-side exhaust gas testing procedures, NOU informed the Bank that the National Steering Committee has already approved this proposal and recommended that exiting regulations be amended. The draft legal text is being finalized before sending to the legal department. For commercial vehicles, PUSPAKOM and RTD will explore the possibility of including MAC inspection in the commercial vehicle inspection requirements and will inform DOE by July 2003. Specification of refrigerant identifier and TOR for consultant is being finalized.

Train-the-Trainer Program for MAC Service Technicians and Certification of MAC Service Technicians: The consultant who will be assisting DOE in development of training modules, providing training to the authorized training centers and coordinating equipment procurement was engaged in March 2003. To date, the consultant has started the preparation of the training materials. Train-the-Trainer Program will be carried out in August and September 2003.

Custom Training: A working group has been established and AKMAR will take the lead in the implementation. A draft TOR for hiring of consultant to assist in the preparation of training manual DOE and training the trainer program is being finalized. The working group will identify the expert who is capable of undertaking this assignment and DOE will secure no objection from the Bank before hiring him/her. Specification for the refrigerant identifier will also be established by the working group. DOE will however procure the equipment and provide all the support to the working group. It is expected that the first batch of the training will be carried out at the end of CY2003.

Project Implementation and Monitoring: Given the restructure of DOE, hiring of consultants for the PMU has been delayed. However, many preparation activities have been undertaken by NOU staff with assistance from the sector experts. It is expected that PMU staff will be board by end of June 2003. DOE also plan to carry out a number of public awareness activities and/or workshops in CY03.

No.	Proposed Activity	Objective	Target Group	Impact	Status
	<b>Technical Assistance for MDI Sector</b>	To increase awareness on CFC MDI transition plan	Pharmaceutical Association, Doctors, MDI Importers, and Patients	To promote the use of non-CFC MDI	
1	Selection of consultant				*Continued from CY02 * TOR for a consultant is being finalized.
2	Consultation process				
3	Development of MDI Strategy				*Development of the Phaseout strategy will be completed by the end of CY04
	<b>Mandatory Requirement for MAC Inspection</b>	To prevent HFC MAC system from any retrofitting for using with CFC-12	PUSPAKOM and DOE's mobile vehicle inspection unit	Reduction of CFC-12 consumption in MAC service sector and increase awareness of vehicle's owners	
1	Development of a Standard Inspection Manual				*Continued from CY02 * Specification of refrigerant identifier and TOR for consultant is being finalized. * PUSPAKOM and DOE will work closely with the relevant industry in determining standard minimum refrigerant content for passing the inspection. * Inspection manual will be completed in CY 03.
2	Training for Vehicle Inspection Technician				
3	Procurement of Equipment				
4	Equipment Delivered				
	<b>Train-the-Trainer Program for MAC Service Technicians</b>	Increase technical capacity of	Authorized Training centers and	Reduction of CFC-12 consumption	

	<b>and Certification of MAC Service Technicians</b>	the MAC service shops	MAC service shops	in MAC service from repairing MAC system properly	
1	Train-the-Trainer programme				* Continued from CY02 * Consultant was engaged in March 2003. * Training of the qualified training centers will be carried out in August and September 2003.
2	Certification of Service Technicians				
3	Procurement of MAC Service Tools				To be implemented in 2004
4	Procurement of MAC R&R Machines				To be implemented in 2004
	<b>Custom Training Program</b>	Build technical capacity of custom officials to inspect the import chemicals	Custom officials	Strengthen effectiveness of import control system of CFC	
1	Development of a Training Course				* Continued from CY02 * A representative from AKMAL participated in the Customs workshop in the Philippines in February 2003. * Specification of refrigerant identifier and TOR for consultant is being finalized
2	Train-the-trainer Program				* Training for the trainer will be completed by October 2003
3	Procurement of Equipment				
	<b>Project Management Unit</b>	To provide Government with necessary support to carry out all	DOE	Strengthen capacity of Government to carry out the NCFCP to ensure	

		activities proposed under this plan		timely and effective preparation and execution of the project activities	
1	Set up of PMU				* Continued from CY02 * Selection of 4 PMU staffs are on-going.
2	Implementation Assistance				* Consultant for preparation of foam sub-sector has been engaged in January 2003 and the consultant now is under process of preparing proposal. * DOE proceeded with preparation of solvent subproject by preparing TOR and proceed with selection of consultant to assist DOE in identifying end-user and consumption of ODS solvents in Malaysia.
3	Public Awareness Activities				* A series of official announcement and/or public relations to inform the public and end-users on NCFCP.
4	Regulatory Support				Continuing discussion on actions regarding regulatory requirements among relevant agencies.



## 5. GOVERNMENT ACTION

### **CY 2002 [Preceding Year]**

Based on the National CFC Phase-out proposal, the Government proposed to undertake a number of regulatory actions as part of the NCFCP. These actions include (a) control of CFC consumption, 111-TCA, and CTC; (b) monitoring of compliance to those enterprises that received funding from MLF in all the sectors (aerosol, foam, refrigeration, MAC, etc.), (c) control the use of CFC in foam and MAC manufacturing, and (d) prohibit the use of 111-TCA and CTC in solvent. Procedures for monitoring and enforcement will be established and training workshops will be provided to Government officials to carry out the tasks. The activities carried out in CY02 are summarized below.

NO.	POLICY/ACTIVITY PLANNED	SCHEDULE OF IMPLEMENTATION	STATUS
1.	Control of import quota through AP system <sup>1</sup>	January -December 2002	Import control policy in place and in operation
2.	Announcement of Import Quotas for CFCs from 2002-2010 <sup>2</sup>	December 2001	Announcement of import quotas for 2002 was done in December 2001
3.	Criteria and procedures for financial support for investment projects <sup>2</sup>	January-December 2002	Completed for foam sub-sector
4.	Workshop on NCFCP	3 January 2002	Completed
5.	Training on Chiller and Refrigerant Management (CRM), (I)	21-22 May 2002	Completed
6.	Briefing on Halon Bank Management	2-6 July 2002	Completed
7.	Training on CRM, II	27-28-August 2002	Completed
8.	Seminar on ODS on International Ozone Day	16 September 2002	Completed

<sup>1</sup> 2002 Performance Target

<sup>2</sup> 2003 Performance Target

## 5. GOVERNMENT ACTION – (as of 10 May 2003)

### ***CY 2003 [Year of Annual Work Program]***

Verification of the consumption level. The Government has taken initiative in the preparation of a consumption verification arrangement and process (during February-March 2003) and a verification report as per ExCom requirement was submitted to the Bank in Mid May 2003.

Mandatory inspection of commercial vehicles. As an integral part of the NCFCP strategy to reduce the use of CFC in Mac servicing, the Government proposed to introduce a mandatory inspection for commercial vehicles. DOE initiated discussion with Road Transport Department (RTD), and PASPAKOM and amendment of the existing regulations (RTD and DOE) may be needed. Discussion on the regulatory actions will be continued and concluded by the end of 2003. As for the capacity building activities, it is expected that consultant will be hired to assist the working group in the preparation of the training manual and standard inspection procedure and a draft TOR is being finalized. The working group will finalize the TOR, identify the expert, establish specification for the refrigerant identifier, and supervise the activities to be carried out by the consultant. It is expected that training will be provided to staff from RTD, PASPAKOM and DOE and DOE will procure equipment and distribute to other agencies.

Other activities. DOE also plans to carry out a number of regulatory actions related to ODS and to carry out public awareness activities to increase knowledge and awareness of the enterprises and the public of the government policies pertaining to completed phaseout of CFC, TCA, and CTC as per the agreement of the NCFCP between Malaysia and ExCom.

Key activities for the Government actions are summarized in table below.

NO.	POLICY/ACTIVITY PLANNED	SCHEDULE OF IMPLEMENTATION	STATUS
1.	Control import quota for CY2003 through AP system <sup>1</sup>	January-December 2003	Import control policy in place and in operation
2.	Verification of import Quota for CY2002	February-March 2003	Completed
3.	Announcement of Import Quotas for CFCs from 2002-2010 <sup>2</sup>	December 2002	Announcement of import quotas for 2003 was done in December 2002
4.	Criteria and procedures for financial support for investment projects <sup>2</sup>	January-December 2003	On-going for solvent and commercial refrigerator sub-sector

<sup>1</sup> 2002 Performance Target

<sup>2</sup> 2003 Performance Target

5.	Announcement of Mandatory MAC Inspection Requirement <sup>3</sup>	June-December 2003	On-going to amend Road Transport Act and Environment Quality (Refrigerant Management) Regulation 1999
6.	National Survey uses of Methyl Bromide in QPS	July – September 2003	Develop survey form and distribution
7.	Updated National Survey in Chiller Commercial sector	July – September 2003	Develop survey form and distribution
8.	Hand On Training for DOE Officers	October 2003	On-going
9.	Directive free ODS product in Government Contract – Foam Sector	30 April 2003	Meeting with Ministry of Finance
10.	Establish Project Management Unit (PMU)	April – December 2003	Propose working paper to JPA, TOR, Scheme, Appointment
11.	Enforcement/Audit	July – December 2003	Identification potential project approved by MLF
12.	Develop Strategy – NO new CFC-MAC and Refrigeration System	October 2003 – March 2004	Identification on options in any new vehicles
13.	Develop Strategy – Ban the Imputation/Sale and Use CFC in the MAC and Refrigerator Manufacturers	November 2003 – March 2004	Identification on potential guideline

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<sup>3</sup> 2004 Performance Target

## 6. ANNUAL BUDGET

In line with the activities described above, the annual budget are summarized below.

**CY 2002 [Preceding Year]**

<b>No.</b>	<b>Activity</b>	<b>Planned Expenditure (USD)</b>	<b>Actual Approved Expenditure (USD)</b>	<b>Remarks</b>
1	Conversion at Seasonair sub-project	\$550,000	\$550,891	First disbursement to Seasonair sub-project
2.	Launching of NCFCP activities	\$66,000	\$0	Use fund from other sources ??
3.	Establishment of PMU	\$40,000	\$0	
4.	Preparation of proposal for phasing out CFC in the foam sector	\$50,000	\$0	Disbursement will taken place in 2003
5.	Preparation of Customs training Program	\$20,000	\$0	Disbursement will taken place in 2003
6.	Preparation of Mobile Air Conditioner Service Training	\$20,000	\$0	Disbursement will taken place in 2003
	<b>Total</b>	<b>\$746,000</b>	<b>\$550,891</b>	

**CY 2003 [Year of Annual Work Program]**

<b>No.</b>	<b>Activity</b>	<b>Planned Expenditure (USD)</b>	<b>Actual Expenditure (USD)</b>	<b>Remarks</b>
1.	Conversion of Seasonair sub-project	0		Second disbursement will be made in early 2004 after the enterprise dispose its baseline equipment (expected in December 2003)
2.	Conversion in Foam/commercial refrigeration Sectors	949,100		
3.	Mac servicing --Train-the-Trainer	319,000		
4.	Mac servicing -- Financial subsidy	100,000		
5.	Conversion in solvent sector	100,000		
6.	Refrigeration --Train-the-Trainer	0		
7.	Refrigeration -- Financial subsidy	0		
8.	TA for MDI	25,000		
9.	Mac --Mandatory training	120,000		
10.	Custom training	100,000		
11.	PMU	300,000		
	<b>TOTAL</b>	<b>2,013,100</b>		



**MALAYSIA ODS PHASE-OUT PROJECT : THE NATIONAL CFC  
PHASE-OUT PLAN (NCFCPP)**

**PART 1**

**REPORT OF CERTIFIED AUDITOR**

We have audited procedures for issuing import quota against the Application Import License executed by the the Ministry of International Trade and Industry and import control executed by the Royal Customs Department including supporting documents to certify actual consumption (actual imports) of Annex A, Group I Chemicals (i.e. CFCs); 1,1,1-Trichloroethane (1,1,1-TCA); and Carbon Tetrachloride (CTC) for the period 1<sup>st</sup> January 2002 to 31<sup>st</sup> December 2002. These supporting documents are the responsibility of the concerned agencies, the Department of Environment (DOE), the Ministry of International Trade and Industry (MITI), the Royal Customs Department and the Statistics Department. Our responsibility is to express an opinion on these supporting document based on our audit.

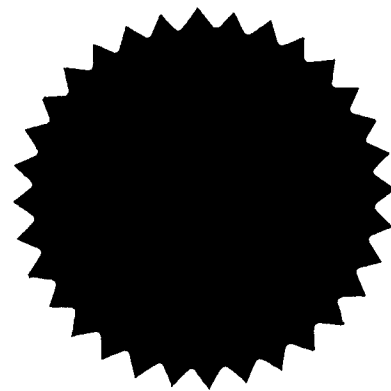
We conducted our audit in accordance with Malaysian Approved Standards on Auditing to obtain reasonable assurance about whether the supporting document for issuing import quota against the Application Import License and import control are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and type of these controlled chemicals that have been issued against the Application Import License and actually imported or exported for the year throughout 2002. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these procedures and supporting documents can be fairly relied on to support imported amount of these controlled substances for the year throughout 2002 and they are adequately documented.



**(ANG NAI HAR)**  
For **AUDITOR GENERAL**  
**MALAYSIA**

23 April 2003



**MALAYSIA ODS PHASE-OUT PROJECT : THE NATIONAL CFC  
PHASE-OUT PLAN (NCFCPP)**

**PART II**

**A. Allowable Imported Level Of Controlled Substances As Permitted By  
MITI Under The AP System**

1	Aurora Chemicals Sdn. Bhd.	18.00	15.00	-	-	-	-	-
2	Daichem Ent. (M) Sdn. Bhd.	80.00	77.00	-	-	-	-	-
3	Keylargo (M) Sdn. Bhd.	18.00	194.00	-	-	-	-	-
4	Perusahaan Kimia Gemilang Sdn. Bhd.	64.72	84.00	-	-	-	-	10.00
5	Sing Swee Bee Sdn. Bhd.	9.30	74.00	-	-	-	-	-
6	Syarikat Carto Sdn. Bhd.	20.00	-	-	-	-	-	-
7	Texcarrier Industries Sdn. Bhd.	29.10	89.90	-	-	-	-	-
8	Unigas (M) Sdn. Bhd.	39.00	89.06	-	-	-	-	-
9	Westech Sdn. Bhd.	54.80	325.20	-	-	-	-	-
10	CCM Chemicals Sdn. Bhd.	-	148.00	-	-	-	-	74.00
11	Chemquest Trading (M) Sdn. Bhd.	-	76.50	-	-	-	-	-
12	Globechem Sdn. Bhd.	-	26.40	-	-	-	-	-
13	Nagase (Malaysia) Sdn. Bhd.	-	7.30	-	-	-	-	22.00
14	ST Chemicals Sdn. Bhd.	-	152.50	-	-	-	-	-
15	Tesway (M) Sdn. Bhd.	-	58.00	-	-	-	-	-
16	Kimia Pertama (M) Sdn. Bhd.	-	-	-	-	-	-	100.00
17	Contingencies*	46.48	44.74	3.00	-	21.00	11.50	324.00
<b>Total Quota (A)</b>		<b>379.40</b>	<b>1,461.60</b>	<b>3.00</b>	<b>0</b>	<b>21.00</b>	<b>11.50</b>	<b>530.00</b>

**Note:**

- \* - Contingencies were set aside for applications for imports of Ozone Depleting Substances (ODS) by Government Departments/Agencies. Importers may apply for additional quota and MITI can approve by using the contingencies quota if the quantity set aside has not being utilised by any Government Department/Agencies.



**B. Actual Quantity Of Controlled Substances Imported During The Calendar Year 2002 ( 1<sup>st</sup> January 2002 - 31<sup>st</sup> December 2002)**

1	Aurora Chemicals Sdn. Bhd.	17.92	14.96	-	-	-	-	-
2	Daichem Ent. (M) Sdn. Bhd.	79.99	76.99	-	-	-	-	-
3	Keylargo (M) Sdn. Bhd.	17.92	193.99	-	-	-	-	-
4	Perusahaan Kimia Gemilang Sdn. Bhd.	64.67	84.00	-	-	-	-	10.00
5	Sing Swee Bee Sdn. Bhd.	9.30	55.08	-	-	-	-	-
6	Syarikat Carto Sdn. Bhd.	18.56	-	-	-	-	-	-
7	Texcarrier Industries Sdn. Bhd.	29.10	89.90	-	-	-	-	-
8	Unigas (M) Sdn. Bhd.	38.91	89.01	-	-	-	-	-
9	Westech Sdn. Bhd.	53.27	283.72	-	-	-	-	-
10	CCM Chemicals Sdn. Bhd.	-	126.26	-	-	-	-	19.17
11	Chemquest Trading (M) Sdn. Bhd.	-	75.98	-	-	-	-	-
12	Globechem Sdn. Bhd.	-	26.40	-	-	-	-	-
13	Nagase (Malaysia) Sdn. Bhd.	-	7.30	-	-	-	-	-
14	ST Chemicals Sdn. Bhd.	-	152.50	-	-	-	-	-
15	Tesway (M) Sdn. Bhd.	-	52.45	-	-	-	-	-
16	Kimia Pertama (M) Sdn. Bhd.	-	-	-	-	-	-	98.80
<b>Total Import (B)</b>		<b>329.64</b>	<b>1,328.54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127.97</b>

<b>Difference</b>	<b>CFC-11</b>	<b>CFC-12</b>	<b>CFC-113</b>	<b>CFC-114</b>	<b>CFC-115</b>	<b>CTC</b>	<b>1,1,1 - TCA</b>
<b>A - B</b>	49.76	133.06	3.00	0	21.00	11.50	402.03

**C. Reconciliation**

	<b>CFC-11</b>	<b>CFC-12</b>	<b>CFC-113</b>	<b>CFC-114</b>	<b>CFC-115</b>	<b>CTC</b>	<b>1,1,1 - TCA</b>
Total Quota	379.40	1,461.60	3.00	0	21.00	11.50	530.00
Total Import	329.64	1,328.54	0	0	0	0	127.97
Reconciliation*	49.76	133.06	3.00	0	21.00	11.50	402.03

#### D. Description Of Differences Of Quota And Actual Import

Unused quotas by importers and quantities reserved by MITI as "contingencies" make up the differences as follows:

1	Aurora Chemicals Sdn. Bhd.	0.08	0.04	-	-	-	-	-
2	Daichem Ent. (M) Sdn. Bhd.	0.01	0.01	-	-	-	-	-
3	Keylargo (M) Sdn. Bhd.	0.08	0.01	-	-	-	-	-
4	Perusahaan Kimia Gemilang Sdn. Bhd.	0.05	-	-	-	-	-	-
5	Sing Swee Bee Sdn. Bhd.	-	18.92	-	-	-	-	-
6	Syarikat Carto Sdn. Bhd.	1.44	-	-	-	-	-	-
7	Texcarrier Industries Sdn. Bhd.	-	-	-	-	-	-	-
8	Unigas (M) Sdn. Bhd.	0.09	0.05	-	-	-	-	-
9	Westech Sdn. Bhd.	1.53	41.48	-	-	-	-	-
10	CCM Chemicals Sdn. Bhd.	-	21.74	-	-	-	-	54.83
11	Chemquest Trading (M) Sdn. Bhd.	-	0.52	-	-	-	-	-
12	Globechem Sdn. Bhd.	-	-	-	-	-	-	-
13	Nagase (Malaysia) Sdn. Bhd.	-	-	-	-	-	-	22.00
14	ST Chemicals Sdn. Bhd.	-	-	-	-	-	-	-
15	Tesway (M) Sdn. Bhd.	-	5.55	-	-	-	-	-
16	Kimia Pertama (M) Sdn. Bhd.	-	-	-	-	-	-	1.20
17	Contingencies	46.48	44.74	3.00	-	21.00	11.50	324.00
<b>Total Differences</b>		<b>49.76</b>	<b>133.06</b>	<b>3.00</b>	<b>-</b>	<b>21.00</b>	<b>11.50</b>	<b>402.03</b>

**Note:**

- i. Westech Sdn. Bhd. (No.9) has imported/used 26.72 metric tonnes in January 2003 out of the unused quota of 41.48 metric tonnes.
- ii. CCM Chemicals Sdn. Bhd. (No. 10) has imported 21.62 metric tonnes in January 2003 out of the unused quota of 21.74 metric tonnes.

**MALAYSIA ODS PHASE-OUT PROJECT : THE NATIONAL CFC  
PHASE-OUT PLAN (NFCPP)**

**PART III**

**NOTE TO PROCEDURES FOR ISSUING IMPORT QUOTA AGAINST THE APPLICATION IMPORT  
LICENSE AND IMPORT CONTROL**

**1. INTRODUCTION**

- 1.1 At the 35<sup>th</sup> Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (ExCom) in December 2001, the Government of Malaysia, through the Department of Environment (DOE), has received a grant fund to implement the Malaysia National CFC Phase-out Plan (NFCPP) for the phased reduction and complete phase-out of the consumption of Annex A, Group I Chemicals (i.e. CFC); 1,1,1 - TCA; and Carbon Tetrachloride (CTC) in the country. The Malaysia NFCPP aims to reduce the negative impacts of the enterprises in light of the world trend and regulatory actions by applying a combination of regulations, monitoring and financial assistance and the program will be implemented through the World Bank.
- 1.2 The ExCom has agreed in principle that it will provide funds to support the activities on an annual basis if the Malaysia NFCPP completes the phase-out of the consumption of CFC; 1,1,1 - TCA; and CTC in the year 2010 and the maximum allowable consumption for CFC; 1,1,1-TCA; and CTC for the year 2002 are 1,855; 51; and 4.51 Ozone Depleting Potential metric tonnes (ODP mt) respectively. At the same time, the Government of Malaysia should ensure that the import control policy for ODS is in place and operational.

**2. PROCEDURES FOR ISSUING IMPORT QUOTA AGAINST THE APPLICATION IMPORT LICENSE (EXECUTED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY)**

MITI's control and procedures for issuance of import quota are as follows:

- i. Quota for the importation of ODS for the year will be based on the Malaysia NCF CPP.
- ii. Basing on the reduced quota (for example, a 6.8% reduction for CFC 11 for the year 2002 as quota for CFC 11 for the year 2001 and 2002 were 523.7 mt and 488.0 mt respectively), the Industry Services Division (ISD) of MITI needs to tabulate the quantity to be approved for each individual importer by reducing their approved quota for the year 2001 by 7%.
- iii. Quota approval can only be given to 19 importers only (that is existing importers at the time imports of CFC was frozen on 7 April 1994).
- iv. Before the end of the year, ISD should issue quota approved for the following year to all importers and a copy of the letter of approval should be submitted to the Trade Services Division (TSD) of MITI.
- v. TSD is required to maintain a Register/Ledger to control the issuance of Application Import Licence (Customs Form CD 69 Rev.1/2000) or Approved Permit (AP). The quantities approved for the year will be recorded in each individual importer's ledger.
- vi. The importer requires an AP issued by the TSD for every shipment/import of ODS and every AP issued needs to be recorded in the individual ledger to control the balance of quota for the year.
- vii. Applications for additional quota or transfer of quota for ODS items under Annex A can be considered but approval can only be given if the approved quota has been fully utilised and quantity set aside

under contingencies are still available. ISD will check and verify the register kept by TSD before deciding on the application.

viii. Importers are required to submit a report on actual imports of ODS for the year to ISD.

**3. PROCEDURES FOR IMPORT CONTROL (EXECUTED BY THE ROYAL CUSTOMS DEPARTMENT)**

3.1 The importation of ODS into Malaysia was effectively controlled from 1<sup>st</sup> June 1998 by the 2<sup>nd</sup> Schedule, Customs (Prohibition of Imports) Order, 1998. Since then, all importers of ODS requires an import licence from MITI and for every shipment/import, importers are required to furnish the Royal Customs Department with the AP issued by MITI.

3.2 During actual importation, the importers are required to furnish the Royal Customs Department with the AP issued by MITI, Declaration of Goods Imported Form (Customs No.1 Rev. 8/89) and the necessary supporting document to get such chemicals for importation into Malaysia.

3.3 The customs officer manning the ports or check points (for imports by road from Singapore) will endorse the license when goods are cleared through the Customs. Information will be kept at the Customs office and copies of the Declaration of Goods Imported forms (or soft copies if Customs Office has been computerised) will be sent to the Department of Statistics for data compilation. DOE will collect the data from the Department of Statistics and report the data on the ODS consumption to UNEP at the end of September every year.

#### **4. PROCEDURES FOR AUDITING**

##### **4.1 Verification Of Process For Issuing Of Import Quota For The Year 2002**

4.1.1 Audit examinations on the process and controls of issuing import quota by MITI for the year 2002 were carried out and the following were noted:

- i. Prior to the issuance of the quota for the year 2002, IDS requested for confirmation on the Malaysia NCF CPP for the year 2002 to 2010 from DOE (MITI's letter reference MITI:ID/BDI/E(S)664/22 dated 30 November 2001). That was to ensure any latest amendments regarding maximum allowable consumption level for Malaysia under the Montreal Protocol will be taken into consideration before decisions are made on the quota for the year 2002.
- ii. DOE confirms the maximum allowable consumption level for the year 2002 - 2010 through a faxed letter dated 11 December 2001.
- iii. Quota for each importer was correctly tabulated and all importers notified of their quota by 14 December 2001.
- iv. The register/ledger to control the issuance of AP was maintained properly by TSD and up to date. Supervising officers has carried out regular checks on the register.
- v. Importers had submitted their report on actual imports of ODS for the year to ISD.
- vi. The report on the import of ODS for the year 2002 has been prepared and submitted to DOE.

4.1.2 From audit examinations, we are satisfied that MITI has proper controls and adhered to the procedures of issuing import quota and approval of the application import licence.

## **4.2 Verification Of Quotas Issued To Importers**

4.2.1 Verifications of quotas issued to the following 5 importers were carried out:

- i. CCM Chemicals Sdn. Bhd.
- ii. Daichem Enterprise (M) Sdn. Bhd.
- iii. Keylargo (M) Sdn. Bhd.
- iv. ST Chemicals Sdn. Bhd.
- v. Westech Sdn. Bhd.

4.2.2 As a result of audit verifications, the following were noted:

- i. The quota for each importer was correctly computed and recorded in the register.
- ii. All additional quota or transfer of quota were approved by the ISD and duly recorded in the register.
- iii. Total quantities in AP approved by TSD for each importer do not exceed the importer's yearly quota.

4.2.3 From audit examinations, we are satisfied that quotas issued to importers are done in accordance to procedures and the total quantities of ODS approved for import by MITI does not exceed the maximum allowable consumption level as stipulated by the Malaysia NCF CPP.

## **4.3 Verification Of Customs' Records And Documentation From Importers.**

4.3.1 The import of ODS by the same 5 importers (paragraph 4.2.1) were verified to Customs' record and importers' documentation. Supporting documents verified are as follows:

i. **CCM Chemicals Sdn. Bhd.**

No.	Type of Supporting Document Verified			Type of Controlled Substance	Quantity (mt)
	Declaration No.	Invoice No.	Bill of Lading No.		
1	B10104003521	CKN-G1B-6492	HSM100654	CFC - 11	19.170
<b>TOTAL QUANTITY (111 - TCA)</b>					<b>19.170</b>
2	B10102009654	LK11044/EXP	PSHPKG02A0021	CFC - 12	15.640
3	B10103018813	LK11175/EXP	KKLU852137561	CFC - 12	14.3888
4	B10103032057	LK11190/EXP	PSHPKG02A0066	CFC - 12	14.960
5	B10104018532	LK11260/EXP	00LU41703640	CFC - 12	25.0376
6	B10104032056	LK11278/EXP	TCTPLPKG021	CFC - 12	14.960
7	B10107004703	LK11521/EXP	MOLU800306880	CFC - 12	9.996
8	B10107028826	LK11601/EXP	PSHPKG02C6591	CFC - 12	15.640
9	J15-1-12006090/02	B10711/03	#	CFC - 12	1.7136
10	B10111003032	LK11975/EXP	SWPSHKG6621	CFC - 12	15.640
11	J15-1-01005717/03	B10716/03	#	CFC - 12	19.902
<b>TOTAL QUANTITY (CFC - 12)</b>					<b>147.878</b>

ii. **Daichem Enterprise (M) Sdn. Bhd.**

No.	Type of Supporting Document Verified			Type of Controlled Substance	Quantity (mt)
	Declaration Form No.	Invoice No.	Bill of Lading No.		
1	B10101027427	737/2368/01-02	BOMCB 2009231	CFC - 11	16.800
2	B10101027427	738/2369/01-02	BOMCB 2009231	CFC - 11	2.700
3	B18104003875	EX/FCD/4488	SMND 2394	CFC - 11	19.040
4	B10105007263	040-042/2022-2024/02	NSACB2010326	CFC - 11	7.650
5	B10106012703	259-260/2140-2141/02	JNICB2010724	CFC - 11	19.080
6	B10109027113	604-605/2295-2296/02	JNICB2012405	CFC - 11	14.720
<b>TOTAL QUANTITY (CFC - 11)</b>					<b>79.990</b>
7	B10105001797	029/2012/02-03	NSACB2010233	CFC - 12	16.320
8	B10108029477	M018/02	MOLU800459250	CFC - 12	16.864
9	B10108016049	455/2232/02-03	JNICB2011633	CFC - 12	16.320
10	B10112002825	M043/02	HLCULIV021106068	CFC - 12	16.605
11	J25-1-11022702/02	17521	#	CFC - 12	10.88
<b>TOTAL QUANTITY (CFC - 12)</b>					<b>76.989</b>



iii. **Keylargo (M) Sdn. Bhd.**

No.	Type of Supporting Document Verified			Type of Controlled Substance	Quantity (mt)
	Declaration Form No.	Invoice No.	Bill of Lading No.		
1	B18103003666	1102900227	00962101	CFC - 11	17.920
<b>TOTAL QUANTITY (CFC - 11)</b>					<b>17.920</b>
2	B18104008441	1102100693	NSAUSA430GNKL005	CFC - 12	24.480
3	B18104010629	1102100684	NSAUSA430GNKL004	CFC - 12	24.480
4	B18105003561	1102100902	NSAUPH433GNKL002	CFC - 12	12.460
5	B18105008061	1102100992	NSAUTS435GNKL002	CFC - 12	12.460
6	B18105008060	1102100995	NSAUTS435GNKL001	CFC - 12	24.480
7	B10106014601	EX/FCD/4574	SMND 2466	CFC - 12	15.640
8	B18107004892	1102101568	APLU 701926634	CFC - 12	24.480
9	B18107004891	1102101568	APLU 701926634	CFC - 12	12.460
10	B10108011618	EX/FCD/4679	SMND 2557	CFC - 12	0.544
11	B18109003378	2102100033	APLU 701927698	CFC - 12	12.460
12	B10111027807	EX/FCD/4787	SMND 2834	CFC - 12	4.8552
13	B10112018518	20025158	SHACB2117706	CFC - 12	25.200
<b>TOTAL QUANTITY (CFC - 12)</b>					<b>194.00</b>

iv. **ST Chemicals Sdn. Bhd.**

No.	Type of Supporting Document Verified			Type of Controlled Substance	Quantity (mt)
	Declaration Form No.	Invoice No.	Bill of Lading No.		
1	J02042620	S-SG-009642	#	CFC - 12	4.500
2	J02044834	S-SG-009641	#	CFC - 12	3.900
3	B10103025311	D-SC-010003	NSACB2009729	CFC - 12	15.640
4	B10105002995	D-SC-010309	NSACB2010392	CFC - 12	15.640
5	B10108034470	3776	HLCULIV020711378	CFC - 12	9.520
6	B18106000704	3658	ZIMUFLX204812501	CFC - 12	8.160
7	J02050737	S-SC-010781	#	CFC - 12	6.188
8	B10108021512	D-SC-010946	BOM/S-9156	CFC - 12	14.960
9	B10109012546	D-SC-011090	JNICB2012225	CFC - 12	14.960
10	B10110013468	D-SC-011270	JNICB2012653	CFC - 12	14.960
11	B10110019879	D-SC-011298	JNICB2012703	CFC - 12	14.960
12	B10110025937	D-SC-011334	JNICB2012907	CFC - 12	14.960
13	B10111004178	D-SC-011426	JNICB2013181	CFC - 12	12.180
14	J01013355	S-SC-011528	#	CFC - 12	1.972
<b>TOTAL QUANTITY (CFC - 12)</b>					<b>152.5</b>

v. Westech Sdn. Bhd

No.	Type of Supporting Document Verified			Type of Controlled Substance	Quantity (mt)
	Declaration No.	Invoice No.	Bill of Lading No.		
1	B10108016771	WES/REF/0140	KKLU 852139887	CFC - 11	22.4000
2	B10107029112	397-399/2206-2208/02	JN1CB2011552	CFC - 11	7.4700
3	B10104018707	1076-1077/2491-2492	NSACB2009995	CFC - 11	3.2400
4	B10103026293	960/2451/01-02	NSACB2009905	CFC - 11	20.1600
<b>TOTAL QUANTITY (CFC - 11)</b>					<b>53.2700</b>
5	J15-1-12005452/02	P10710/02	#	CFC - 12	19.5976
6	J15-1-01000168/03	P10712/02	#	CFC - 12	22.5080
7	J15-1-01000167/03	P10712/02	#	CFC - 12	.0136
8	J15-1-01002554/03	P10722/03	#	CFC - 12	4.2024
9	B10111019425	740/2356/02-03	JN1CB 2013277	CFC - 12	16.3200
10	B18112005246	2005333/02	GOAA 064841	CFC - 12	10.1592
11	B10110024374	676/2324/02-03	JN1CB 2013126	CFC - 12	19.0000
12	B10110034785	694/2337/02-03	JN1CB2012956	CFC - 12	16.3200
13	B18108009400	2003435	GOAA061864	CFC - 12	14.2800
14	B10107022259	374-375/5/2194-2195/02	JN1CB2011410	CFC - 12	19.9000*
15	B10107029111	397-399/2206-2208/02	JN1CB2011552	CFC - 12	6.8000
16	B18106008409	2002202	GOAA060094	CFC - 12	14.2800
17	B18106003994	2001837	GOAA059540	CFC - 12	14.2800
18	B18105005559	2001409	GOAA058319	CFC - 12	11.2000
19	B18104010834	2001152	GOAA058097	CFC - 12	14.2800
20	B10104018708	1076-1077/2491-2492	NSACB2009995	CFC - 12	10.8800
21	B10104005041	995/2460/01-02	NASCB2010049	CFC - 12	19.3000
22	B18104006147	2000803	GOAA057396	CFC - 12	14.2800
23	B10102024924	860/2404/01-02	BOMCB2000975	CFC - 12	16.3200
24	B10101024365	731/2367/01-02	BOMSB2000713	CFC - 12	19.8000
<b>TOTAL QUANTITY (CFC - 12)</b>					<b>283.7208</b>

**Note:**

- # - Import by land from Singapore (no Bill of Lading)
- \* - Declaration Form declared 16.32 mt but actual and approved 19.9 mt.

#### 4.4 Verification Of Department Of Statistics' Record

4.4.1 Department of Statistics will key in (or down load) data from Customs' record and a monthly report produced for submission to DOE. Basing on such reports, DOE prepares data on imports using Data Form 1 (UNEP/Ozl.Pro/Dataform97). However there are discrepancies between total imports of ODS from reports by MITI and Department of Statistics. The discrepancies are:

Type of Controlled Substance	Quantities Imported For The Year 2002		
	Department of Statistics' record (kgs)	MITI's record (kgs)	Differences (kgs)
CTC	0	0	0
1,1,1 - TCA	129,173.40	127,970.00	1,203.40
CFC 11	282,520.00	329,640.00	(47,120.00)
CFC 12	1,322,954.62	1,328,540.00	(5,585.38)
CFC 113	69.00	0	69.00
CFC 114, & CFC 115	0	0	0

4.4.2 Possible reasons for the discrepancies could be explained when audit verifications were carried out to ensure imports of ODS by the same 5 importers (paragraph 4.2.1) are correctly taken up in the Department of Statistics' record. Two computer print-outs were provided by Department of Statistics for checkings. One was the record of manual data entries and the other, the down load of Customs' computerised data. Audit verifications of Department of Statistics' record revealed the following:

- i. Sixty nine (69) kilogrammes of CFC 113 (Customs' code 290343000) was shown as imported in Department of Statistics' report and no AP issued by MITI for such import. However, further investigation by Audit revealed that the imports were actually for R23 - Trifluoromethane and not CFC 113 (Trichlorotrifluoethane). The forwarding agent who clears the import for the importer has mistakenly declares R23 as CFC 113 (Customs' code of 290343000). The relevant import declaration forms are:

No.	Importer	Customs No. 1 Rev.8/90	Date of Import	Quantity (kgs)
1	Texcarrier Industries Sdn. Bhd.	J15010033660102	15.01.02	60.00
2	Texcarrier Industries Sdn. Bhd.	J15112000093301	31.12.01	9.00
<b>Total Quantity</b>				<b>69.00</b>

- ii. 7 imports totalling 122.3216 metric tonnes were not captured in the Department of Statistics's record. They are:

No.	Importer	Declaration Form No.	Type of ODS	Quantity (mt)
1	Daichem Ent. (M) Sdn. Bhd.	B10105001797	CFC 12	16.3200
2	Daichem Ent. (M) Sdn. Bhd.	B10108029477	CFC 12	16.8640
3	Daichem Ent. (M) Sdn. Bhd.	J25-1-11022702/02	CFC 12	10.8800
4	Keylargo (M) Sdn. Bhd.	B18107004892	CFC 12	24.4800
5	Westech Sdn. Bhd.	J15-1-12005452/02	CFC 12	19.5976
6	Westech Sdn. Bhd.	B10107022259	CFC 12	19.9000
7	Westech Sdn. Bhd.	B18104006147	CFC 12	14.2800
<b>Total Quantity</b>				<b>122.3216</b>

- iii. An import of 17.92 metric tonnes of CFC 11 (Customs' code 290341000) by Keylargo (M) Sdn. Bhd. was wrongly declared by the forwarding agent as CFC 12 (Customs' code 290342000). Import Declaration form B181030003666 is relevant.
- iv. An import of 14.28 metric tonnes of CFC 12 by Westech Sdn. Bhd. via Import Declaration form B18106008409 was erroneously captured by Department of Statistics as 17.43 metric tonnes which happens to be the gross tonnage imported.

4.2.3 From the above audit examinations, we are of the opinion that DOE should not use secondary data from Department of Statistics report alone without verifications. As the monitoring agency, DOE should reconcile total quantities imported as reported by Department of Statistics and MITI. Further investigations should then be carried out for any discrepancy.



JABATAN ALAM SEKITAR  
KEMENTERIAN SAINS, TEKNOLOGI DAN  
ALAM SEKITAR  
ARAS 3-7, BLOK C4,  
PUSAT PENTADBIRAN KERAJAAN PERSEKUTUAN  
62662 PUTRAJAYA

TO 006622567794

P.01

Telefon 03-8888200  
Telefaks 03-8888987

Ruj. Tuun

Ruj. Kam 91420/004/009

Tarikh 19 May 2003

The World Bank  
Thailand Office  
14<sup>th</sup> Floor, Tower A, Diethelm  
93/1 Wireless Road  
BANGKOK 10330 THAILAND

Dear Mr. Gorman,

**SUBMISSION LETTER**

have the honor to refer to the above-mentioned subject.

The National Ozone Unit of the Department of Environment, which is empowered by the Government of Malaysia to undertake the implementation of ODS phaseout activities in Malaysia to fulfill obligation under the Montreal Protocol, would like to request the World bank to seek financial assistance (the 3<sup>rd</sup> tranche of National CFC Phaseout Plan 2,013,100 USD) from the Executive Committee at its 40<sup>th</sup> Meeting.

The enable the World Bank to submit such request to the Executive Committee, we are pleased to submit the 2003 Annual Work Programme and Audit Report on Verification of CFC Consumption as enclosed herewith.

Should you require any further clarification, please don't hesitate to contact our Ozone Protection Unit.

Thank you very much for your kind cooperation

Your sincerely

**(ISMAIL ITHNIN)**  
for the Director General of Environment

(Sila catatkan rujukan Jabatan ini apabila berhubung)