EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fifth Meeting
Montreal, 16-20 November 2015

PROJECT PROPOSAL: EGYPT

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

Foam

- Demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users
PROJECT EVALUATION SHEET – NON-MULTI-YEAR PROJECT

EGYPT

PROJECT TITLE(S) BILATERAL/IMPLEMENTING AGENCY
(a) Demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users UNDP

NATIONAL CO-ORDINATING AGENCY
Egypt Environmental Affairs Agency, national ozone unit

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT
A: ARTICLE-7 DATA (ODP TONNES, 2014, AS OF OCTOBER 2015)

<table>
<thead>
<tr>
<th>HCFCs</th>
<th>320.3</th>
</tr>
</thead>
</table>

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2014, AS OF SEPTEMBER 2015)

<table>
<thead>
<tr>
<th>HCFC-22</th>
<th>174.5</th>
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<tbody>
<tr>
<td>HCFC-123</td>
<td>0</td>
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<tr>
<td>HCFC-141b</td>
<td>123.1</td>
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<tr>
<td>HCFC-142b</td>
<td>9.5</td>
</tr>
<tr>
<td>HCFC-141b in imported pre-blended polyol</td>
<td>13.2</td>
</tr>
</tbody>
</table>

HCFC consumption remaining eligible for funding (ODP tonnes) 310.61

CURRENT YEAR BUSINESS PLAN ALLOCATIONS

<table>
<thead>
<tr>
<th>Funding US $</th>
<th>Phase-out ODP tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

PROJECT TITLE:
- ODS use at enterprise (ODP tonnes): n/a
- ODS to be phased out (ODP tonnes): n/a
- ODS to be phased in (ODP tonnes): n/a
- Project duration (months): 12
- Initial amount requested (US $): 340,000
- Final project costs (US $): 340,000
  - Incremental capital cost: 310,000
  - Contingency (10 %): 30,000
  - Incremental operating cost: 0
  - Total project cost: 340,000
- Local ownership (%): n/a
- Export component (%): n/a
- Requested grant (US $): 340,000
- Cost-effectiveness (US $/kg): n/a
- Implementing agency support cost (US $): 23,800
- Total cost of project to Multilateral Fund (US $): 363,800
- Status of counterpart funding (Y/N): N
- Project monitoring milestones included (Y/N): Y

SECRETARIAT'S RECOMMENDATION
Individual consideration
PROJECT DESCRIPTION

1. On behalf of the Government of Egypt, UNDP as the designated implementing agency has submitted to the 75th meeting a request for funding a demonstration project on low-cost options for the conversion to non-ODS technologies in the polyurethane (PU) foams for very small users (VSUs) at the amount of US $340,000, plus agency support costs of US $23,800. This project is submitted in line with decision 72/401.

2. At the 74th meeting, the Executive Committee considered the requests for preparation of projects to demonstrate low-global warming potential (GWP) technologies and feasibility studies on district cooling pursuant to decision 72/40. The proposal for Egypt was one of the two fully-developed proposals submitted at that meeting; the Executive Committee, in decisions 74/21 and 74/39, recommended that the proposal may be resubmitted to the 75th meeting. The revised project proposal is contained in Annex I to the present document.

Project description

3. The foam sector encompasses a large number of VSUs that practice hand-mixing foaming operations; hand-mixing gives rise to occupational health and safety issues related to the lack of emission controls or personal protection. To replace the HCFC-141b blowing agents used, VSUs are assisted by the Multilateral Fund only through technical assistance under an umbrella project or the systems house due to their very small HCFC consumption (i.e., 100-200 kg per annum).

4. In the case of Egypt, systems houses received funding as part of stage I of the HCFC phase-out management plan (HPMP) to test and develop alternatives based on pre-blended hydrocarbons, methylal and methyl formate. Technical assistance was included in the systems house conversion for VSUs through which they could rent equipment as required by their operations. However, no funding for research and development on new applications in the foam sector was provided. This is the purpose of the current pilot project.

5. This proposed project is aimed to optimize technologies in the PU foam sector and is expected to contribute to greater availability and cost-effective phase-out options for such VSUs, without any additional cost to the Multilateral Fund. The project will also consider local production/assembly of selected equipment.

Objectives

6. The project objectives are to:

(a) Develop a low-cost foam dispensing unit for pour-in-place (PIP) applications that includes an air compressor that is not dependent on electrical power, or alternatively, explore options for reducing the cost of foam dispensers currently available on the market; and

(b) Explore the option of pre-packaging PU foam systems that are sealed, have a long lifetime and can be used upon demand (they are currently in use in Colombia, Mexico, and the United States of America for certain applications).

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1 The Executive Committee decided inter alia to consider at its 75th and 76th meetings proposals for demonstration projects for low-global warming potential (GWP) alternatives to HCFCs within the framework established, and provided criteria for such projects.
Methodology

7. The implementation of the project will be in two parts:

   (a) Optimization of low-cost equipment including the selection of an importer/assembler/service provider of foam dispensers, review of existing equipment and proposal of cost lowering modifications; issuance of a request for proposals for manufacturing a new low-cost foam dispenser; validation of equipment; and a workshop to present the outcomes; and

   (b) Development of pre-packaged fully developed polyol systems by identifying existing sources; selection of a systems house willing to participate in the project; evaluation of these systems in Egypt followed by other Article 5 countries with PU foam system houses; installation of a local production facility within a systems house; trials and testing at one or two selected foam enterprises; and a workshop to present outcomes.

8. Several equipment suppliers and possible systems houses that may meet the requirements of the project have been identified as prospective bidders to provide such services; selection is subject to UN procurement procedures.

Project budget

9. The summary of the project cost is provided in Table 1.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Budget (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management</td>
<td>Local expert</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td>International expert</td>
<td>30,000</td>
</tr>
<tr>
<td>Identifying local capacity</td>
<td>Technical study tour on equipment</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>Chemical study tour on chemistry</td>
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</tr>
<tr>
<td>Production equipment development and prototyping</td>
<td>Optimized existing equipment</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Development of new equipment</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Development of pre-packaged systems</td>
<td>25,000</td>
</tr>
<tr>
<td>Validation/field evaluation</td>
<td>Optimized existing equipment</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>New equipment</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>Pre-packaged systems</td>
<td>10,000</td>
</tr>
<tr>
<td>Technology dissemination workshop</td>
<td>Combined for all three approaches</td>
<td>25,000</td>
</tr>
<tr>
<td>Peer review/safety review/preparation</td>
<td>Includes safety audit, peer review, and preparation costs</td>
<td>30,000</td>
</tr>
<tr>
<td>Contingencies</td>
<td>10% of sub-total (rounded)</td>
<td>30,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>340,000</strong></td>
</tr>
</tbody>
</table>

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

10. At the 74th meeting, the Executive Committee noted that the Secretariat only reviewed the project compliance with the guidelines contained in decision 72/40; the technical aspects and costs of the project were not reviewed at that time.
11. The Secretariat noted with appreciation, UNDP’s efforts to design a project that would assist implementation of activities for VSUs.

12. The Secretariat also sought clarification on issues related to requirements of decision 72/40. With regard to the specific low-GWP technology to HCFCs that the project would demonstrate, UNDP explained that the project would contribute to more efficient utilization of systems using low-GWP alternatives (such as methyl formate and methylal) for VSUs through equipment and system optimization. By targeting VSUs that often do not receive direct assistance from the Multilateral Fund, UNDP believes this to be an opportunity to assist them and encourage the use of low-GWP technologies. When successful, the project has the potential to make available low cost equipment for use in many countries with VSUs.

13. In explaining the amount of ODS to be phased out through this project, UNDP clarified that this would not result in any direct ODS reduction as this is submitted as a global pilot project to determine the feasibility of low-cost equipment and the stability of pre-packaged foam systems. However, UNDP stated that for Egypt, micro-users account for 22.7 mt of HCFC-141b which may be phased out as a result. The Secretariat noted that the consumption of micro-users has already been included for the phase-out in stage I of the HPMP for Egypt. UNDP also indicated that potential project impact may well be over 600 mt of HCFC-141b, if replicated in countries with VSUs.

14. In responding to the Secretariat’s request for an indication of commitment from an enterprise/manufacturer that they would implement the project, UNDP clarified that an enterprise or equipment manufacturer cannot be identified at this time as the selection of the manufacturer will be subject to a bidding process; however, some of them have already expressed initial interest in the development of the equipment.

15. UNDP explained that equipment modification may include electronics, a design with simplified mixing heads and shorter hoses, built-in compressor, and attached chemical tanks, resulting in lower priced components. Current PIP equipment is based on that used for spray foam, and includes features not required for PIP operations. Such design changes and other elements will be decided by the equipment manufacturer during development. These modifications cannot be be done by the equipment manufacturers without assistance from the Multilateral Fund as they have no incentive to do so. UNDP estimated that the resulting equipment may cost less than US $10,000.

16. UNDP justified the inclusion of optimization of the currently available systems by explaining that this is specific to VSUs (i.e., small operations that result in infrequent use of chemicals, irregular foaming operations) which require small, pre-determined amounts of systems that are easy to use. The project therefore foresees the manufacture of small, properly sealed packages that, when needed, have to simply be punctured for use, and could have a lifetime of up to two years. The current assistance provided to the systems house in Egypt does not include the possibility of actualizing these innovations.

17. It is the Secretariat’s view that while the project objective would benefit small foam users and improve their operations, the current proposal does not strictly demonstrate a low-GWP alternative to HCFC but rather the development of equipment that may help these users. As a project related to the foam sector, the justification provided does not relate to the remaining consumption to be phased out in Egypt, and it is not clear how the project would contribute to a significant increase in current know-how in terms of a low-GWP alternative technology.
RECOMMENDATION

18. The Executive Committee may wish to consider:

(a) The demonstration project of low-cost options for the conversion to non-ODS technologies in polyurethane foams at very small users in Egypt in the context of its discussion on proposals for demonstration projects for low-global warming potential (GWP) alternatives to HCFCs as described in the document on the overview of issues identified during project review (UNEP/OzL.Pro/ExCom/75/27); and

(b) Approving the demonstration project of low-cost options for the conversion to non-ODS technologies in polyurethane foams at very small users in Egypt, in the amount of US $340,000, plus agency support costs of US $23,800 for UNDP, in line with decision 72/40.
PROJECT SUMMARY

The objective of this project is to optimize, validate and disseminate easy to use low cost PU metering equipment and pre-packaged systems for the use at very small users (VSUs) in the manufacture of PU rigid insulation and integral skin foams. Chemically, the use of long term stable, prepackaged two component systems is envisioned. The country selected for implementation is Egypt. Egypt is a Party to the Vienna Convention and the Montreal Protocol and ratified the London, Copenhagen and Montreal amendments. The country is fully committed to the phaseout of HCFCs and willing to take the lead in assessing and implementing new HCFC phaseout technologies, particularly in the foam sector—as it did for CFCs in 1992 when it submitted and completed the first foam sector investment projects ever under the MLF. Egypt has local PU system houses that frequently combine importations and distributions for major international chemical and equipment manufacturers with local blending for SMEs. In addition, most international PU chemicals suppliers are represented with offices or their own system houses. Its existing HCFC phaseout program has a section dedicated to VSU that is in need to the outcome of this demonstration project but will not require additional investment funding. Similar projects in Brazil, Mexico and Nigeria are also in need to address its VSU customers.

IMPACT OF PROJECT MONTREAL PROTOCOL OBLIGATIONS RELATED TO VSUs

This project is a pilot project aimed to optimize PU sector technologies and will contribute indirectly to the fulfillment of Montreal Protocol obligations in any country with a VSU subsector. In Egypt, Mexico and Nigeria this will facilitate existing, approved programs and NOT lead to additional funding—just better implementation because, if successfully validated, the optimized technology will contribute to availability of better and cost-effective phaseout options.
1. PROJECT OBJECTIVES AND RATIONALE

The objectives of this project are to:

- Optimize and validate low cost chemical and equipment options for ODS phaseout at VSUs;
- Demonstrate these in downstream operations;
- Transfer the technology to interested system houses and other users around the world, and
- Use the outcome in existing projects thus, at no additional costs, improving the success of these projects.

2. CONTEXT

2.1 MARKETS/APPLICATIONS

While VSUs are not limited in applications—rather in size—there are typical applications. They are:

For Rigid PU Foam
- boat insulation
- repair of existing insulation
- home insulation improvement
- making disposable molds (mostly in ceramic applications)
- marine fenders
- concrete replacement

For Integral Skin Foam
- bicycle saddles
- safety coatings in exercise equipment
- fenders
- furniture parts

2.2 PREVIOUS WORK WITH VSUs

MLF projects are since 1993 subject to Cost-Effectiveness (C/E) Thresholds. These thresholds are not taking consumption volumes into account and therefore are frequently difficult to meet by very small users (VSUs). Many VSUs practice hand-mix, an operation deemed an industrial hygienic concern as no emission control or personal protection is used. These companies need low cost/easy to use equipment that meets applicable limits on cost-effectiveness. Others use infrequently PU foams and have problems with inventories in view of the relatively short life time of existing systems (3-6 months).

A first attempt to deal fairly and effectively with small users (SMEs) was a 1995 study by UNDP called “Determination of Cost-Effective Phaseout Approaches for Enterprises with relatively Small ODS Use”. The Multilateral Fund Secretariat (MFS) prepared, based on this study, Document 17/55 (June 30, 1995) called “Strategy Paper for Small Foam producing Enterprises”. It recommended dividing projects by size and foam category; to assign to large and medium sized enterprises specific C/E thresholds and to make the approval of small projects subject to specific cost containment procedures. This would have addressed the issue. However, the study was not accepted at that time and was never transformed into a formal policy. Nevertheless, anybody who reads the document and is familiar with approval procedures will recognize later use of many of the proposed elements.

The cost effectiveness increases exponentially when the consumption decreases as following graph shows:
Following approaches have been tried by UNDP to obtain cost containment when dealing with SMEs:

- **Management**: Use local experts; work with group projects
- **Technology**: Evaluate and validate new technologies
- **Equipment**: Use more retrofit; develop low-cost equipment
- **Trials/Tests**: Get suppliers involved
- **IOCs**: Regardless of the technology applied, calculate IOCs based on the lowest cost (validated) technology

The largest success has been creating ODS projects using PU System Houses as project managers. This approach provided not only local project management but also larger economy of scale and supplier-arranged trials/tests.

The validation of new technologies was almost equally successful. UNDP conducted in the foam sector ten (10) demonstration projects to evaluate new—or to modify existing—technologies. Through this program, methyl formate (MF) and methylal (ML)—both oxygenated hydrocarbons or HCOs—are already approved in over 10 countries -- Brazil, Cameroon, Dominican Republic, Egypt, El Salvador, Nigeria, Russia, South Africa and Trinidad-Tobago and in several of these countries by now successfully completed. One system house in Mexico offers successfully preblended hydrocarbons, including smaller users in sprayfoam. While some of the demonstrated technologies suffer under economic constraints, such as high license fees (supercritical CO₂) or high operating costs (HFOs) the program in general has saved the MLF millions of dollars in project costs.

Attempts to decrease equipment costs had mixed results. UNDP has, as part of CFC as well as HCFC phaseout plans, consistently searched for lower cost equipment as described in detail above. Such attempts had mixed results:

- Retrofit of equipment has significantly decreased costs when using water, MF or ML technologies (Mexico, Dominican Republic, El Salvador);
- Renting out equipment to very small users (VSUs) failed because of frequent mishandling of equipment as well as chemicals (Egypt, Mexico);
- An attempt to import low cost equipment in one country (Colombia) failed because of lack of training and local equipment service;
- An attempt to lower costs of ISF equipment in Mexico was very successful but still is off UNDP’s goal and requires further fine-tuning;
- Infrequent use leads to aging issues with chemicals.
2.3 PROPOSED EFFORTS RELATED TO THIS DEMONSTRATION PROJECT

A One issue identified by UNDP was that all Pour-in-Place (PIP) equipment is based on sprayfoam equipment—being relatively low cost equipment and easily fitted for PIP operations. However, such spray-foam equipment has features that are not needed for PIP operations such as:

- High pressure pumps
- Long supply hoses, and misses features such as:
  - Built-in compressor
  - Two phase electrical hook-up
  - Chemical tanks

UNDP therefore looked in the market for equipment that would fit better the purpose of PIP applications. It found suitable—albeit not ideal—equipment from Pumer/Brazil (see picture below):

![Pumer-1000 DT medium pressure injector](image)

While this dispenser cuts the current price of a PIP dispenser considerably, it still does not meet several of UNDP’s criteria:

- It is still too expensive
- It has medium injection pressure rather than the desired low pressure
- It has no built-in compressor

UNDP has had discussions with the manufacturer and believes that further economizing and adaptation will be possible. Other companies have offered to prepare bids based on UNDP’s design criteria which are

- Better efficiency in the use of chemicals;
- Economizing (cost reduction) of existent equipment or
- Developing new, low cost equipment;
- Easy in operation and maintenance
- Ready to use with just a two phase electrical connection.
B. For integral skin equipment a similar program will be based on a previous attempt to economize equipment in Mexico for that particular purpose:

![Low cost ISF Foam Dispenser, developed by Zadro/Mexico](image)

For this application, different properties are required:

- Variable chemical ratios
- Gear pumps allowing high viscosity
- Heating for chemicals

In addition, in both cases, the issue of local maintenance needs to be addressed. Emphasis will be put on local, sustainable capacity for training and equipment service to ensure the required level of sustainability of results.

C. Another issue is infrequent use of chemicals such as for setting poles for fences, electricity, etc. This application requires small, pre-determined amounts of chemical to set a pole—much like cement but much faster in solidifying. Because of irregular, in field use, users in this application have problems with chemical life time—now typically 3-6 months. A life time of at least one year is desired. UNDP located a US company that manufactures prepackaged chemicals for pole setting applications with a life time of up to 2 years and intends to bring this technology to existing system house in, initially, Egypt but later in any country that has system houses and is interested.

### 2.4. Estimated Potential Project Impact

Depending of the stage of development and the size of a country, VSUs’ market share in foam applications can range from 5%--such as Egypt—to more than 30%-- such as Nigeria.

Indeed, the Egyptian HPMP mentions that “from available information it has been determined that “Micro Users” (=VSUs) account for 22.3 t HCFC-141b and, assuming an average use of 250 kg/y per company, include up to 100 companies.” Other countries such as Brazil, India, Mexico and Nigeria will have much larger VSU sub-sectors and many more VSUs and the outcomes of this demonstration program are essential to ensure smooth HPMP implementation in VSU sector.

The amount of HCFC-141b phase-out that may benefit from this project, or the number if VSUs that would apply the solutions proposed in sections A, B and C of the previous section 2.3 would be very hard to estimate, but may very well amount to over 600 metric tons of HCFC-141b and thousands of VSU enterprises.
3. PROJECT DESCRIPTION

The concept of this project is to develop:

- Easy to use and maintain low-cost foam dispensing units for PIP Rigid Foam applications that include air compressors and is relying on two phase electrical power;
- Low cost variable ratio foam dispensers for integral skin applications Alternatively, look into lowering the costs of existing low-cost equipment already on the market; and
- For infrequent PU users, make available the option of prepackaging PU systems that are sealed, have a long lifetime and can be used upon demand.

The implementation of the equipment part of the project will be staged as follows:

1. The selection of an importer/installer/service provider – based on an open call bidding via requests for proposals (latter giving better flexibilities with previously untried approaches);
2. Review of existing offerings of low-cost equipment followed by negotiations with selected providers on required modifications and potential cost savings – on modifications it currently roughly estimated to be below US$ 10,000 per PIP simplified machine (below US$ 10,000 for ISF and US$ 5,000 for RPF machine with modifications in electronics, removal of spray function and less hosing, gun cleansing mechanisms with simplified mixing heads and better local service for sustained operations), but yet to be tested on the actual costs below this target threshold;
3. Selection of equipment to be validated;
4. Purchase and validate the most promising equipment (1-2 different dispensers);
5. Workshop to present the outcome(s).

Interested equipment suppliers that can potentially meet requirements from the project are listed below as prospective bidders to provide such services (selection is subject to universal UN procurement procedures which apply to projects under implementation):

- Pumer Belo Horizonte Brazil RPF only
- Cannon Milano Italy ISF and RPF
- Zadro Guadalajara Mexico ISF only
- Tec Mac Milano Italy ISF and RPF
- FSI St. Louis USA RPF only

The implementation of the chemical part of the project is envisioned as follows:

1. Selection of a system house willing to cooperate on this approach;
2. Identification of existing prepackaged systems (there are reportedly such systems in the USA) with stable storage life-time/easy component perforation when in need for field application;
3. Evaluate this technology at the selected system house;
4. If successful, install a local component facility and/or assembly facility;
5. Conduct trials/tests to assure that the equipment is suitable for the earmarked ODS phaseout technologies;
6. Include the outcome in the mentioned workshop in technology section.

VSUs currently use the — unprotected — hand-mix approach, opening and blending from containers delivered by system houses and mixing these with a stick or electrical mixer. The main issue is, of course, the unprotected use of PU chemicals, but also the issue of lifetime of the chemicals is important. Systems normally have a lifetime of 3-6 months and VSUs frequently exceed this. In addition, they do not properly protect chemicals from humidity, thus further lowering life time.
System houses in Egypt do receive assistance from HPMP Stage I on HCFC-free conversions to tested technologies which are HC, ML and MF, but do not receive any funding for further research and development on newer type of applications in the foam sector, which is the purpose of the current pilot project. The project foresees the manufacture of small, properly sealed packages that, when needed, are punctured and used. This avoids exposure to emission and skin. That is not the case with current smaller system houses’ deliveries in 200 l drums.

Previous experience taught that local, knowledgeable service and availability of spare parts are essential to success. Therefore, the consideration for local production/assembly of selected equipment is essential.

Likewise, prepackaged systems have only a chance in the market when produced and marketed—or at least backed-up—by a local system house.

While the project includes trials/tests, these will be conducted to the extent possible at system house development facilities and with one or two selected customers. Industrialization should take place through National Phaseout Plans. It should be noted that these plans for Egypt and Mexico have already funds dedicated to VSUs. More specifically, it should be emphasized that the results of this pilot project will be immediately applicable in already approved VSU projects in Mexico, Brazil, Egypt and Nigeria without rising costs to MLF (currently designed approach of renting equipment to VSUs does not work), as well as in future such programmes in other countries, as such optimized equipment can be then purchased from ready developer at lower cost.

In summary, a successful cost reduction program requires following features:

- An effective local commercial operation providing importation, sales as well as after sales support;
- Inclusion of auxiliaries such as an air compressor and a set of pour guns;
- Standard, two phase electrical requirement;
- A simple, built-in gun cleaning systems;
- A set of small chemical tanks with protection against humidity, to the extent possible consisting of commodity parts;
- A cost goal of US$ 5,000 for RPF and US$ 10,000 for ISF equipment;

4. PROJECT COSTS

Cost forecasts for demonstration projects are problematic as these projects are by nature unpredictable. UNDP has used to the extent possible guidance provided by the Secretariat in Document 55/47 Annex III, Appendix II. Applying this guidance leads to the following summarized cost expectations:

<table>
<thead>
<tr>
<th>#</th>
<th>ACTIVITY</th>
<th>BUDGET (US$)</th>
<th>Description of sub-activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Management</td>
<td>30,000</td>
<td>Local expert</td>
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<td>30,000</td>
<td>International expert</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Local coordination, sourcing of service capacities</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>International development coordination</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Identifying local capacity</td>
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<td>Study tour</td>
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<td></td>
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<td>For equipment development</td>
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<td>For prepackaged systems</td>
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<td>3</td>
<td>Production eqt development</td>
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<td>Optimize existing equipment</td>
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<td></td>
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<td>50,000</td>
<td>Develop new equipment</td>
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<td>25,000</td>
<td>Develop prepackaged systems</td>
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<td>4</td>
<td>Validation/Field evaluation</td>
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<td>Optimize existing equipment</td>
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<td>New equipment</td>
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<td>Prepackaged systems</td>
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<tr>
<td>5</td>
<td>Workshop</td>
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<td>Safety review</td>
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<td>Design safety</td>
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<td>At manufacturer as well as enduser</td>
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<td></td>
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5. IMPLEMENTATION FRAMEWORK AND MONITORING

Following tentative implementation schedule applies:

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MILESTONES FOR PROJECT MONITORING

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<td>(b) Project document signatures</td>
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<td>(c) Bids prepared and requested</td>
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<td>(d) Contracts Awarded</td>
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<td>(e) Equipment Delivered</td>
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<td>(f) Training Testing and Trial Runs</td>
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<td>(g) Completion</td>
<td>11</td>
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<td>(h) Dissemination/reporting</td>
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* As measured from project approval

The project document includes the customary implementation and milestones achievement plant and meets decision 72/40 requirement to be completed in one year. The project will be backed by two missions from assigned international expert during its lifetime of 12 months, and from UNDP MPU office to ensure progress is achieved in accordance with plan of actions.

With the team present on the ground (HPMP team) the daily supervision will be ensured. With respect to the equipment development process, since it being simpler than the three-way injection machine with SAIP in the previous project, it is not seen as a major barrier in delaying the project’s outcomes.

6. PROJECT JUSTIFICATION

6.1 CONFORMANCE WITH APPLICABLE POLICIES

The project is submitted in response to ExCom Decision 72/40. The relevant part of this decision states as follows, and the way UNDP has addressed them are added in **bold**.

*(i) The following criteria would be applied when selecting projects:*
a. The project offered a significant increase in current know-how in terms of a low-GWP alternative technology, concept or approach or its application and practice in an Article 5 country, representing a significant technological step forward;

While the first part of the condition recommends that the demonstration should relate to a low-GWP alternative, the second part of the sentence also allows for “applications and practices representing a significant technological step forward”. This demonstration clearly falls under the latter category as described in paragraphs 2 and 3 above. As mentioned, it will save a significant amount of funds to the MLF by addressing very small users (VSUs).

That said, the project will also result in a conversion of HCFCs to low-GWP solutions in VSUs. While in theory, they may shift to HFCs, these alternatives would typically be more expensive than if they were to go to solutions involving low-GWP. It is anticipated in fact that a vast majority of the VSUs – if given the proposed technology solutions of this demonstration – would select water-blown technology, while others may use methyl formate, methylal, HFOs, etc. There would therefore be a positive climate impact, albeit hard to quantify. Having said that, the use of HCs for foams in VSUs is very unlikely due to safety concerns.

b. The technology, concept or approach had to be concretely described, linked to other activities in a country and have the potential to be replicated in the medium future in a significant amount of activities in the same sub-sector;

Paragraphs 2 and 3 above provide a detailed description of the context and the proposed approach, and linkages to the replication of VSUs in other article-5 countries are provided, albeit hard to quantify.

c. For conversion projects, an eligible company willing to undertake conversion of the manufacturing process to the new technology had been identified and had indicated whether it was in a position to cease using HCFCs after the conversion;

This is not a conversion project, but a true demonstration project in the strictest sense of the word. Indeed, rather than converting an ODP-consuming enterprise, new equipment and systems will be developed with equipment suppliers, to be then used in a system house in Egypt, to ensure proper implementation of the VSU component which otherwise is likely to fail in other similar VSU programmes. This was exactly the case with the previous true demonstrations carried out by UNDP, such as for methyl formate, methylal and the low-cost HC programme in Egypt.

That said, section 2.4 above tries to estimate the potential impact that this project may have worldwide, if it succeeds to address the VSU problematic being tackled in this demonstration.

d. The project proposals should prioritize the refrigeration and air-conditioning sector, not excluding other sectors;

This demonstration falls into the latter category (VSUs in foams).

e. They should aim for a relatively short implementation period in order to maximize opportunities for the results to be utilized for activities funded by the Multilateral Fund as part of their stage II HCFC phase-out UNEP/OzL.Pro/ExCom/72/47 36 management plans (HPMPs);

Implementation time for this project is considered 12 months as required by the decision 72/40.

f. The project proposals should promote energy efficiency improvements, where relevant, and address other environmental impacts;

The fact that the use of high-pressure spray foam equipment would be replaced by low-pressure simplified machines may result in some energy savings, but these would be minor and hard to quantify. The use of
small-packaged systems of chemicals would result in a decrease of chemical waste and unwanted chemical emissions as well.

While the current window for these projects prefers demonstration projects for the HVAC sector, it does clearly not exclude other sectors. Therefore UNDP requests to consider this project in the foam sector based on:

- UNDP’s success rate in demonstration projects for this sector that has led to
  - Lower project costs (MF, ML, pre-blended/direct injected HCs with low GWPs)
  - New or modified ODS phaseout technologies that decrease cost thresholds
- Despite of past successes, there is still need to find solutions for very small users (VSUs);
- There is a need to redirect funds already approved and earmarked for VSUs that were based on approaches that proved untenable such as the provision of rental of equipment through system houses – this will help spread the existing low GWP technologies in this sector to a wider clientele to ensure more comprehensive uptake of these on national levels.

The projects includes some elements that could be seen as project preparation but most of that preparation—i.e. the basic outline of requirements for systems as well as equipment—has been finalized and the submittal of just a project preparation request would delay the eventual outcome unnecessary.

The project further cannot be seen as resulting in HCFC reduction targets being not associated with direct phase-out at any recipient system house, but is more geared towards optimization of general costs of equipment and preparing easy-to-use formulations for VSUs to assist in implementation of already approved VSUs sub-projects in the mentioned countries, as well as in future programmes of this type elsewhere.

### 6.2 SELECTION OF IMPLEMENTATION LOCATION

Egypt has been selected for this project because it has in its HPMP a sub-project for VSUs using rental equipment for very small users. After this approach has shown in Mexico to be untenable (rental equipment is damaged by inappropriate use, despite provision of application instructions; chemical are not cleaned out, causing clogging…), UNDP plans to redirect the funds to a low equipment cost approach. However, such an approach needs a proper and comprehensive study.

Several potential importers/service providers have already been located—which will speed up the implementation. For the systems, a system house that is willing to cooperate has also been identified.

Finally, overall, provided accumulated experience with the low cost HC technology optimization via three-way injection and preparation of pre-blended HC polyols in Egypt, the main technology report was submitted expediently (decision 66/15 approved it) for consideration of the Executive Committee where this technology further recommended for replication. Follow-on political changes in the country did not allow to make a complementary investigation study on density optimization at UNDP’s initiative; which is now complete. Nonetheless, with the restoration of stable situation end of 2014, UNDP is confident that the current demonstration project is implementable, aided by the fact that less complex equipment, compared to the low cost HCs, is in focus of the current project.

### 7. RISKS AND BARRIERS

There have already been several successful attempts to address the needs of SMEs. This has led to adjustment in approaches (group projects around system houses, alternative, more affordable technologies). No approach, however, has been successful with VSUs. While this approach addresses past shortcomings such as local service, it is an uncharted way and therefore success is not secure. However, UNDP has shown in other demonstration projects that by and large, success of its approaches in more likely than not.
A potential barrier is the attitude of VSUs. For these companies, PU foam is often a very small part of their production—even a necessary evil—and changes do not always get the required attention and dedication. Working with local system house of distributors—very small users frequently do not buy directly—can reduce this barrier. Users are always considered a barrier for any project’s successful implementation—in terms of not inclined to change, lacking financial means, not looking for additional work, etc. VSUs are not different. MLF-financed projects are designed to counter that attitude with a mixture of Government regulations, technical support and financial assistance. This is the case with MF, ML and low-cost HCs programmes.

VSUs are included in foam sector plans in programmes such as Mexico, Egypt, Nigeria and other countries, and the outcomes of this proposed project will help address HCFC consumption in such approved and future funded foam sector plans here in the former group there are now challenges discovered with the rental of equipment to VSUs as described in the current project document. This sector was accepted as eligible by the MLF Secretariat and then by the Executive Committee in approving such sector plans, and it needs, based on current HPMP implementation experience, a better approach from the chemical and equipment side, as proposed in this project.

If no remedies are obtained such as being proposed in this project, the situation in current sector plans will be left unaddressed with resulting non-compliance prospects.

8. REPORTING

A final report can be expected 12 months after project approval. Interim reporting will follow existing reporting guidelines.