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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fourth Meeting
Montreal, 7-11 April 2008

PROJECT PROPOSAL: EGYPT

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

Phase-out

- National CFC phase-out plan (third tranche)

UNIDO

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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Egypt

(I) PROJECT TITLE	AGENCY
CFC phase out plan	UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2006	
CFC: 593.6	CTC: 5.5	Halons: 44	MB: 180	TCA: 12.5	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2006			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC		1.		107.	328.8	4.		152.8					593.6
CTC						5.5							5.5
Halons			44.										44.
Methyl Bromide										90.	180.		270.
TCA						12.5							12.5

(IV) PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
Maximum Allowable Consumption (ODP Tonnes)	CFC	1,047.	822.	595.	240.	113.	49.	0.	
	Project Costs		1,000,000.	1,200,000.	600,000.	200,000.	100,000.		3,100,000.
Project Costs (US\$)	Support Costs		75,000.	90,000.	45,000.	15,000.	7,500.		232,500.
	Total Funds Approved in Principle (US\$)		1,000,000.	1,200,000.	600,000.	200,000.	100,000.		3,100,000.
Total Funds Released by the ExCom (US\$)	Support Costs		75,000.	90,000.	45,000.	15,000.	7,500.		232,500.
	Project Costs		1,000,000.	1,200,000.	0.	0.	0.		2,200,000.
Total Funds Requested for Current Year (US\$)	Support Costs		75,000.	90,000.	0.	0.	0.		165,000.
	Project Costs				600,000.				600,000.
	Support Costs				45,000.				45,000.

* The 2007 tranche is being requested at the 54th Meeting of the Executive Committee

(V) SECRETARIAT'S RECOMMENDATION:	Blanket Approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Egypt, UNIDO has submitted a progress report on the implementation of the second tranche of the national CFC phase-out plan (NPP) together with the verification report required by the Agreement, for consideration by the Executive Committee at its 54th Meeting. UNIDO has also submitted a request for funding for the third work programme at a total cost of US \$600,000 plus agency support costs of US \$45,000.

Background

2. The NPP for Egypt was approved at the 46th Meeting of the Executive Committee at a total cost of US \$3,100,000 to completely phase out CFC consumption by the end of 2009, in accordance with an agreement between the Government of Egypt and the Executive Committee. Since the approval of the NPP, the Executive Committee has approved two funding tranches at the amount of US \$2,200,000 plus agency support costs of US \$165,000.

Progress report

3. The following activities have been implemented during the second work programme of the NPP of Egypt: customs officer training workshops; distribution of equipment and provision of technical assistance to retrofit a selected number of CFC-based refrigeration systems to alternative refrigerants; distribution among technicians of the majority of the recovery and recycling machines previously purchased; and strengthening of the project monitoring unit through the establishment and operation of a computerized monitoring and information system on ODS consumption by end-users. Preparation of several awareness and technical materials was also started and contractual arrangements were organized with a specialized local technical and financial audit company. Through the implementation of the above activities, about 355 ODP tonnes of CFCs were phased-out.

4. The prices of refrigerants in Egypt for 2007 as reported in the progress report are shown in the table below. Several drop-in refrigerants for CFC-12 are also being imported at market prices ranging between US \$7.00 and US \$12.00/kg.

Refrigerant	Price/kg (US \$)
CFC-11	25.0
CFC-12	18.0
HCFC-22	4.5
R-502	45.0
HFC-134a	12.0
R-404A	30.0
R-407C	38.0
R-410A	50.0
R-507	25.0

5. Out of the funding (US \$2,200,000) allocated for the first two tranches, total expenditures as of end of 2007 amounted to US \$2,113,000, including disbursements and funds obligated.

6. The verification report identified that Egypt implemented an import licensing and quota system in 2000, supported by a number of legal instruments and ministerial decrees. The auditor

verified the list of importers and distributors. In 2006, import quotas had been issued to 14 CFC-authorized importers for the import of 598 metric tonnes of CFCs. The actual quantity imported in 2006 was 595 metric tonnes. The import quota for 2007 has been estimated at 240 metric tonnes of CFCs, which is about 10 tonnes below the allowable level of consumption for that year.

Work programme for the third tranche of the NPP

7. The following activities are included in the work programme for the third tranche of Egypt's NPP: updating policies for the operation, monitoring and control of CFCs and CFC-based equipment and conduct a national seminar to further strengthen the national ODS policy and legislation; conducting training workshops for refrigeration servicing technicians that have not yet been trained; and continuation of demonstration projects for the conversion of refrigeration systems to non-CFC refrigerants and providing basic tools and technical manuals to the remaining small servicing workshops. A filling unit of appropriate capacity for re-filling of recovered CFC-12 and other non-CFC refrigerants will be provided to contribute to the optimization of the servicing sector (co-financing of the re-filling line system will be discussed among users of the system), as well as additional technical assistance through international consultants, and continue awareness and information dissemination campaigns.

8. The annual budget for the third tranche is provided in the following table:

Activity	(US \$)
Retrofit incentive programme for end-users and provision of basic service tools	400,000
Additional training of refrigeration technicians	60,000
Additional activities relating to CFC recovery and recycling (re-filling line)	50,000
Awareness programme and workshop for strengthening ODS regulations	30,000
Consultancy services and support to the monitoring and information system	60,000
Total	600,000

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

9. The 2006 CFC consumption of 593.6 ODP tonnes reported by the Government of Egypt under Article 7 of the Montreal Protocol was already 240.4 ODP tonnes below the allowable CFC level for that year (834.0 ODP tonnes), and 343.4 ODP tonnes above the 2007 allowable level of consumption (250.2 ODP tonnes). CFCs consumption data are not yet available for 2007. However, since import licenses for that year were issued by the Government according to the agreed levels of consumption, it is expected that the reported CFC consumption would be within the allowable levels specified in the Agreement between the Government and the Executive Committee.

10. The request for the third tranche of the NPP for Egypt was first submitted for consideration by the Executive Committee at its 53rd Meeting. In its review of the proposal, the Secretariat raised a number of technical issues related to the NPP, namely: the allocation of US \$270,000 for training service technicians when that amount was not included in the work programme approved by the Executive Committee; delays in the conversion to non-CFC-based commercial refrigerators and the demonstration programme for the retrofit of CFC-based

refrigeration equipment. The absence of a report on the status of distributed recovery/recycling machines was also raised as well as the lack of a system for registering the amounts of recovered refrigerants, and the presence of brand-new CFC based compressors. The Secretariat also raised issues regarding the funding disbursement report. Based on the issues raised by the Secretariat, UNIDO agreed to defer the request for the third tranche to a subsequent meeting.

11. In the revised progress report and 2008 work programme of the NPP for Egypt submitted to the 54th Meeting, UNIDO has addressed all technical and cost-related issues. It also advised that the contract for additional training to refrigeration technicians at the amount of US \$270,000 was terminated without penalties to the agency. The new CFC-12 compressors provided are used for existing CFC-based equipment and for refrigeration equipment charged with drop-in refrigerants available in the country. Following the outcomes and recommendations of the Fund Secretariat's evaluation mission to Egypt (August–September 2007) and in order to improve data reporting and the monitoring of amounts of refrigerants being recovered, the project monitoring unit and UNIDO initiated a survey on the current status and use of the machines delivered under RMP and NPP projects, including random visits to the project sites.

RECOMMENDATION

12. The Fund Secretariat recommends blanket approval of the third tranche of the NPP with associated support costs at the funding level shown in the table below.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	National CFC phase-out plan (third tranche)	600,000	45,000	UNIDO
