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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Ninth Meeting
Montreal, 8-10 March 1993

Addendum

PROJECT PROPOSALS: EGYPT

GENERAL COMMENTS

1. The Government of Egypt submitted four projects to the Executive Committee for consideration at its Ninth Meeting.

2. The project, "Elimination of CFC-12 in the manufacture of extruded polystyrene foam at Al Sharif Plastic Factories", is recommended for final approval and funding in the amount of US $498,000. A Project Evaluation Sheet follows these general comments.

3. Subsequent to discussions during the Fourth Co-ordination Meeting held on 4-5 February 1993, it was agreed that additional project preparation was required for the proposal "Phaseout of the use of CFC-12 in the manufacture of extruded polystyrene foam". The UNIDO Work Programme (UNEP/OzL.Pro/ExCom/9/11) requests US $100,000 to prepare this and three other investment projects in Egypt's foam sector. The Fund Secretariat concurs with this request.

4. Comments on the remaining proposals from Egypt are included in the "Comments and Recommendations from the Fund Secretariat on the 1993 UNDP Work Programme" (UNEP/OzL.Pro/ExCom/9/9). These proposals, "Phaseout of the use of CFC-11 in moulded polyurethane foam manufacturing at Taki-Vita", and "Elimination of CFC-11 in the manufacture of moulded polyurethane foams at MISR Foam Company", are recommended for funding in the amounts of US $58,500 and US $275,000, respectively.

PROJECT EVALUATION SHEET

COUNTRY OR REGION:	Egypt
PROJECT TITLE:	Elimination of CFC-12 in the manufacture of extruded polystyrene foam at Al Sharif Plastic Factories
BUDGET AND PROPOSED INCREMENTAL COSTS:	US $1,700,000 - Total project costs US $ 240,000 - Minus operational costs US $1,460,000 - Proposed grant
INCREMENTAL COSTS (RECOMMENDED):	US $ 948,000 - Fixed project costs US $ 450,000 - Minus net project savings US $ 498,000 - Recommended funding level
COST EFFECTIVENESS:	US $19.47/Kg. - Proposed grant level US $ 6.64/Kg. - Recommended level
PROJECT DURATION:	One year for construction phase
IMPLEMENTING AGENCY:	UNDP

NATIONAL COORDINATING AGENCY: Egyptian Environment Affairs Agency (EEAA)

TECHNICAL REVIEW COMPLETED: YES X NO __

SECRETARIAT'S COMMENTS

1. This project was presented to the Executive Committee for consideration at its sixth meeting with a grant request of US $2.6 million. The Committee recommended ". . . to continue work on the preparation and appraisal of [this and three other proposed projects]". The project was presented again at the Committee's eighth meeting with a grant request of US $1.785 million. "The Committee did not approve the project proposal on Elimination of CFC-12 in Foam Manufacturing at Al Sharif Plastic Factories as presented".

2. The company currently manufactures polystyrene foam for insulation and food packaging. CFC-12 is used in the production process as a blowing agent. Under this project, the company would eliminate the use of CFCs in the process with butane.

3. The request includes US $400,000 for the purchase of equipment for manufacturing polyethylene foam. Polyethylene is not produced at Al Sharif. Incremental costs cannot be attributable to costs associated with the production of a new product. Although the capability

to switch from polystyrene to polyethylene production may exist, the substantial additional costs (US $752,000) for a process that is not used, and may or may not be used, cannot be justified with the limited resources of the Fund.

4. The requested level of capital costs are, therefore, adjusted to eliminate associated polyethylene costs with the resulting recommended funding changes as follows: US $200,000 for safety, US $60,000 for installation, US $20,000 for spare parts, and US $115,000 for technology transfer. The 10 per cent contingency is calculated on all costs excluding remaining technology transfer and training.

5. According to the technical reviewer, projected costs are expected to be reduced following the bidding process. The high costs for building modification should include necessary safety measures (ventilation, explosion proofing, heat/smoke detectors, water sprinklers, etc.). An expansion of production capacity through increasing the size of the building is not an eligible incremental cost. One of the critical concerns of the conversion to butane is the provision of adequate safety measures. Funds earmarked for safety should not be redirected for other purposes.

6. Requested operational costs were modified by the removal of a tax component and net operational savings were adjusted accordingly. Annual savings of US $92,500 were accumulated during the project life and discounted at a rate of 10 per cent.

7. The estimated annual phase-out for the project is 75 tonnes of CFC-12. Cost effectiveness is comparable to the previously approved Plàsticos Molanca project.

SECRETARIAT'S RECOMMENDATIONS

8. The project is recommended for final approval in the amount of US $498,000 with the stipulations that equipment costs may be reduced pending the results of the bidding process, construction costs do not expand existing capacity, and the funds allocated for safety (US $200,000) are utilized as specified in the project proposal.