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

Fourteenth Meeting
Nairobi, 29-30 September 1994

PROJECT PROPOSAL: VENEZUELA

1. The Government of Venezuela submitted, through the World Bank, a project proposal on the conversion of a CFC-12 based mobile air conditioner heat exchangers manufacturer using HFC-134a as refrigerant, for consideration by the Executive Committee at its Thirteenth Meeting (July 1994).
2. The project was considered first at the Sub-Committee on Projects Review meeting and then at the Executive Committee meeting. The Sub-Committee recognized that part of the conversion costs of the evaporator line were due to technological advance because of customer's requirement, and not eligible incremental costs. It recommended "approval of the project in principle, but to request the World Bank to examine together with the Secretariat what proportion of the incremental costs would be eligible, and submit those findings to a subsequent meeting of the Executive Committee" (UNEP/OzL.Pro/ExCom/13/47 para. 142).
3. The Government of Venezuela submitted a revised project proposal to the World Bank and the Fund Secretariat, taking into consideration the recommendation of the Sub-Committee. The World Bank and the Fund Secretariat examined together a methodology to determine the eligible incremental cost of the evaporator line.

4. Based on information provided in the project proposal submitted for consideration by the Executive Committee at its Thirteenth Meeting (UNEP/OzL.Pro/ExCom/13/38), it was estimated that about 48 per cent of the total annual production of evaporators refers to new models for serpentine design. This percentage was considered to be equivalent to the technological advance being put in place at the request of the company's customers and not eligible for funding. Therefore, the cost of the evaporator line was reduced by 48 per cent (US \$428,000).

RECOMMENDATIONS

5. The Fund Secretariat recommends as follows:

6. To approve the project proposal in the amount of US \$3,802,000 to be implemented through the World Bank; and

7. To request any Party and/or implementing agency to provide an explanation of the methodology used for calculating incremental costs when submitting project proposals for MAC conversions to HFC-134a refrigerant. The explanation should include a description of any technological advances that are being provided to meet customer's new technical requirements, which would not be considered eligible for funding.