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

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PROJECT PROPOSAL: EGYPT

This document includes the comments and recommendations from the Fund Secretariat on the following project:

Foam

- Phaseout of the remaining ODS consumption in the foam sector (11 enterprises) UNDP

PROJECT EVALUATION SHEET **EGYPT**

SECTOR: Foams ODS use in sector (1991): 913 ODP tonnes

Sub-sector cost-effectiveness thresholds: General 9.53 US \$/kg

Project Title:

Phaseout of the Remaining ODS Consumption in the Foam Sector (11 Enterprises)

Project Data	UMBRELLA
	(11 enterprises)
ODS phase-out (ODP tonnes)	316.5
Proposed project duration (Yrs)	10
Incremental capital cost (US \$)	1,672,000
Contingency (%)	10
Incremental operational cost (US \$)	
Total project cost (US \$)	1,672,000
Local ownership (%)	100
Export component (%)	0
Amount requested (US \$) {Original}	2,054,000
{Revised}	1,672,000
Cost effectiveness (US \$/kg)	5.28
National Coordinating Agency	EEAA
Implementing Agency	UNDP
Technical review completed?	Yes

<i>Secretariat's Recommendations:</i>	
Amount recommended (US \$)	1,672,000
Project impact (ODP tonnes)	316.5
Cost effectiveness (US \$/kg)	5.28
Implementing Agency support cost (US \$)	217,360
Total cost to Multilateral Fund (US \$)	1,889,360

PROJECT DESCRIPTION

Umbrella Project: the phaseout of the Remaining ODS Consumption in the Foam Sector (11 enterprises)

1. The Government of Egypt stated that through the project, Egypt will phase out the remaining use of CFCs in the foam sector. The project includes companies with previously submitted but deferred proposals as well as newly identified users. To allow every eligible company to come forward and to participate in this project, EEAA, in cooperation with UNDP placed official announcements in combination with an intensive identification effort. Eleven companies in three foam categories are participating.
2. The project consists of phase-out activities in three foam sub-sectors. The table below indicates the sub-sectors and participating companies.

Sub-sector	Number of Cos	Names of companies	Total ODS Consumption (Tonnes)
Extruded Polystyrene Foam	2	Pyramids Paper Mill; Interfood Packaging	200
Flexible Molded and Integral Skin PUF	5	Decorama; Cooling and Prefab; Gazelle; Efico; Mobica	43
Rigid Polyurethane Foam	4	Seta; Fresh; Cairo; Panelix; Army Factory	76
TOTAL	11		319

3. The baseline conditions of the extruded polystyrene foam companies which manufacture packaging foam products for the food service industry, are the same as companies with similar scale of production elsewhere, and hence have similar conversion costs. The conversion costs relate to extruder retrofit for use with LPG, provision of safety measures, technology transfer and training
4. The integral skin foam producing companies with average consumption of 8 tonnes of CFC-11 are low ODS consuming enterprises. However, each of them operates one or two low pressure dispensers of 60 kg/min. output or higher and produce foam for the automotive and furniture industries. Conversion costs relate mainly to replacement of low pressure machines with high pressure machines for use with water-blown systems.
5. Three of the rigid foam producing enterprises produce foams for sandwich panels used in building construction of cold stores and truck bodies. While the fourth produces water heaters. They all operate one or two relatively new high output low pressure dispensers. Three of the panel producing companies will convert to the use of water blown systems with interim use of HCFC-141b while one will convert to the use of pentane. The water heater production will be converted to water blown technology.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

1. The project costs were discussed between the Fund Secretariat and UNDP within the framework of Executive Committee's decisions relating to umbrella projects, residual consumption phase out and cost-effectiveness of investment projects. The cost-effectiveness of each sub--project is within the applicable cost-effectiveness threshold value or does not exceed 100% of the applicable cost-effectiveness threshold value. For the rigid foam conversion to HCFC-141b and/or water, the eligible incremental cost was calculated based on retention of the relatively new low pressure machines with some compensation for reduction in output ratio and potential increase in panel size.

2. The total amount agreed to be paid as lump sum to the Government of Egypt with the option to determine its own disbursement criteria is US \$1,672,500.

Impact of the Projects on Meeting the 1999 Freeze

3. The project document indicates as follows:

"Finalization of the project submitted so far to the MLF would bring the actual implementation of the sector strategy well in line with the target. A complete phase out of the use of CFCs in the foam sector could be reached by mid-2000."

RECOMMENDATION

1. The Fund Secretariat recommends blanket approval of the umbrella project with funding levels and associated support costs as indicated below, subject to the conditions in paragraph 2 below.

Project Title	Project Cost US \$	Support Cost US \$	Implementing Agency
Phaseout of the Remaining ODS Consumption in the Foam Sector (11 enterprises)	1,672,000	217,360	UNDP

2. The Government of Egypt in collaboration with UNDP may determine its own criteria for the disbursement of the approved funds to the enterprises. However, UNDP should indicate in its progress and project completion reports the criteria or the procedures used for the disbursement of the approved funds and ensure phaseout by all the enterprises covered under this umbrella project.