



**United Nations
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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Nineteenth Meeting
Montreal, 8-10 May 1996

Corrigendum

PROJECT PROPOSALS: MALAYSIA

Foam projects: **Replace pages 5, 8 and 9 with the attached pages.**

PROJECT EVALUATION SHEET **MALAYSIA**

SECTOR: FOAM ODS use in sector (1991): 600 ODP tonnes

Sub-sector cost-effectiveness thresholds: General Foam US \$9.53/kg
Flexible (slabstock) Foam US \$/6.23kg
Rigid Foam US \$/7.83kg

Project Titles:

- (a) Conversion to CFC-free technology for the manufacture of flexible polyurethane foam at (i) Far East Foam Industries and (ii) Nite Beauty Industries
- (b) Elimination of CFC-11 in the manufacture of polyurethane refrigerator panels at Penang Trading Co.
- (c) Elimination of CFC-11 in the manufacture of polyurethane cold-room insulation panels/truck container panels at Kejuruteraan Transfreeze Sdn.

Project Data	Flexible		Panels	
	Far East	Nite Beauty	Penang	Transfreeze
ODS phase-out (ODP tonnes)	41	10 (implied)	10.5	11.4
Proposed project duration (Yrs)	1	1	4	4
Incremental capital cost (US\$)	190,000	40,000	209,400	206,900
Contingency (%)	10.53	0	15	15
Incremental operational cost (US\$)	Not calculated	Not calculated	29,384 ¹	12,800 ¹
Total project cost (US\$)	210,000	40,000	248,000	245,000
Local ownership (%)	100	100	100	100
Export component (%)	0	0	0	0
Amount requested (US\$) {Original	426,250		248,000	245,000
{ Revised	210,000	40,000	71,500	71,500
Cost effectiveness (US\$/kg)	5.1	4	22.93	20.87
National Coordinating Agency	Department of Environment			
Implementing Agency	UNDP	UNDP	World Bank	World Bank
Technical review completed?	Yes	Yes	Yes	Yes

Secretariat's Recommendations				
Amount recommended (US \$)	209,000	36,875	71,500	71,500
Project impact (ODP tonnes)	41	10	10.5	11.4
Cost effectiveness (US \$/kg)	5.10	3.69	6.81	6.27
Implementing Agency support cost (US\$)	27,170	4,794	9,295	9,295
Total cost to Multilateral Fund	236,170	41,669	80,795	80,795

¹ Calculated for a 4-year transitional period.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

(a) (i) Far East Foam Industries

1. The project has been classified as general foam since two types of foam (flexible slabstock and integral skin foam) are produced. The incremental operating cost was calculated by UNDP following comments of the Fund Secretariat. The net incremental operating cost for the project was US \$20,755, which the company is not claiming.

2. UNDP clarified that the companies do not export their foam products directly. However, furniture made with the foam is exported to various countries including countries within the South East Asia region and to some extent the United States of America. Therefore, the export component was not taken into account in the calculation of eligible project costs.

3. The cost of technology transfer for each component was agreed at US \$10,000, since the activity would be undertaken by two different specialists.

4. Following the above discussions, the total project cost was established at US \$209,000 when the contingency was adjusted to 10 per cent.

(a) (ii) Nite Beauty

5. The actual cost of trials was calculated by UNDP to be US \$16,875. Consequently, the total project cost was calculated to be US \$36,875.

(b) and (c) Penang Trading and Transfreeze

6. These projects were among a group of projects submitted by UNDP and the World Bank for small rigid foam enterprises in Malaysia at the 17th meeting of the Executive Committee. These two projects could not meet the cost-effectiveness threshold for rigid foam and were therefore deferred. At the 18th Meeting the beneficiary companies agreed to absorb part of the project costs themselves and therefore those projects that were presented to the Executive Committee were approved. However, the communication of the agreement of these two companies to absorb part of the project cost reached the Fund Secretariat too late to be included in the documentation of the 18th Meeting. The World Bank, the implementing agency, has therefore submitted the projects to the 19th Meeting with the agreed funding for each company as follows:

Equipment (high pressure dispenser and pouring auxiliary) US \$ 55,000

Start-up, trials and training US \$ 10,000

Contingency US \$ 6,500

TOTAL: US \$ 71,500

RECOMMENDATIONS

1. The Fund Secretariat recommends approval of the project costs of with the associated support cost as shown in the table below.

	Project Cost US \$	Support Cost US \$	Implementing Agency
(a) Conversion to CFC-free technology for the manufacture of flexible polyurethane foam at:			
(i) Far East Industries	209,000	27,170	UNDP
(ii) Nite Beauty Industries	36,875	4,794	UNDP
(b) Elimination of CFC-11 in the manufacture of polyurethane refrigerator panels at Penang Trading Co.	71,500	9,292	World Bank
(c) Elimination of CFC-11 in the manufacture of polyurethane cold-room insulation panels/truck container panels at Kejuruteraan Transfreeze Sdn.	71,500	9,292	World Bank