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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-second Meeting
Ouagadougou, 6-8 December 2000

Corrigendum

PROJECT PROPOSALS: ARGENTINA

Replace page 7 with the following page 7.

Replace pages 9 and 10 with the following pages 9-10.

PROJECT EVALUATION SHEET ARGENTINA

SECTOR: Refrigeration ODS use in sector (199): ODP tonnes
 Sub-sector cost-effectiveness thresholds: Domestic US \$15.21/kg

Project Titles:

- (a) Change of technology: Elimination of CFCs in the manufacturing plant of domestic refrigerators at Lobato San Luis S.A.
- (b) Replacement of CFC-11 by HCFC-141b in the manufacture of rigid polyurethane foam for domestic refrigerators and sandwich panels at MTH S.R.L.

Project Data	Domestic	Domestic
	Lobato San Luis	MTH
Enterprise consumption (ODP tonnes)	19.40	7.96
Project impact (ODP tonnes)	18.53	7.08
Project duration (months)	24	24
Initial amount requested (US \$)	254,956	96,052
Final project cost (US \$):		
Incremental capital cost (a)	319,887	75,000
Contingency cost (b)	31,989	7,500
Incremental operating cost (c)	45,634	42,015
Total project cost (a+b+c)	397,510	124,515
Local ownership (%)	100%	100%
Export component (%)	0%	0%
Amount requested (US \$)	254,956	82,695
Cost effectiveness (US \$/kg.)	13.76	11.67
Counterpart funding confirmed?	Yes	Yes
National coordinating agency	UEPRO	OPROZ
Implementing agency	IBRD	IBRD

Secretariat's Recommendations		
Amount recommended (US \$)		82,695
Project impact (ODP tonnes)		7,083
Cost effectiveness (US \$/kg)		11.67
Implementing agency support cost (US \$)		10,750
Total cost to Multilateral Fund (US \$)		93,445

7. In order to implement the project the World Bank is requesting from the Executive Committee the approval of a change in technology for the foaming operation in Lobato. The requested technology is based on HCFC-141b as the blowing agent. The requested grant in the revised proposal is US \$254,956 which is lower than on that in the approved project (US \$410,683). The difference will be returned to the Multilateral Fund.

8. The original project for Lobato was approved after Decision 22/71 on change of technology was adopted. In accordance with this decision, the project is submitted to the Executive Committee for individual consideration together with the Secretariat's review and comments.

Justification for the use of HCFC-141b

9. The two enterprises have selected HCFC-141b technology to replace CFC-11 in their foam blowing operations. It is an interim solution until non-CFC systems (different from hydrocarbons) are commercially available. A letter advising the Government decision to use HCFC technology has been received by the Secretariat in accordance with the Executive Committee Decision 27/13 and is attached to this evaluation together with a justification from the implementing agency.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

MTH

1. The Secretariat has sought clarification from the World Bank on the weight of foam insulation used in the calculation of incremental operating cost for production of refrigerators and freezers. It appears that the weight of foam exceeds by 100% the calculated weight of foam using the reported thickness of insulation and the volume of appliances produced by MTH. The inconsistency in the reported and calculated weight of foam has implications for the determination of CFC-11 consumption, IOC and cost-effectiveness.

2. The World Bank obtained the additional information from the enterprise. Incremental operating costs and the level of grant have been revised accordingly. All the costs have been agreed between the Secretariat and the World Bank.

Lobato San Luis

3. The Secretariat has discussed with the World Bank the incremental capital costs of the revised proposal for Lobato San Luis. The cost of the high pressure dispenser has been adjusted to reflect the prevailing market price for this equipment. The cost of additional mixing head has been recognized as ineligible for funding. The incremental capital costs have been agreed between the Secretariat and the World Bank at the level of US \$183,085.

4. The data on production and CFC consumption date back to 1996. The Secretariat has requested information on the current production level of the enterprise. This information is required for calculation of the incremental operating costs and cost effectiveness as well as the indication of economic viability of the company. The World Bank reported to the 28th Meeting in its progress report on the Lobato project that the sub-grant agreement was not signed due to the unstable economic conditions of Lobato. The proposal submitted to the 32nd Meeting indicates that the enterprise is currently facing a sharp market reduction and is struggling to survive during the current economic crisis in Argentina.

5. On the issue of economic viability of the enterprise the World Bank advised the Secretariat that according to information provided by the Bank's financial agent in Argentina, the company does not have any kind of financial difficulty and will be able to complete the project.

6. The Secretariat has received Lobato's 1999 production data from the World Bank. The production for 12 months in 1999 was 3,010 units which is substantially lower than reported in the project approved at the 23rd Meeting (25,000 units). In the project proposal, IOC are still based on the original level of production. In view of the major decrease in the level of production, the Secretariat is concerned about the eligibility of costs calculated on the basis of the original production levels. Using the current level of production, the calculated ODP consumption would be 2.2 ODP tonnes and the maximum allowable grant US \$30,698. The project could not be implemented with this level of funding. The Secretariat is seeking advice on this issue from the Sub-Committee on Project Review.

RECOMMENDATIONS

1. The Fund Secretariat recommends blanket approval of the MTH S.R.L. project with the funding level and associated support cost indicated in the table below.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(b)	Replacement of CFC-11 by HCFC-141b in the manufacture of rigid polyurethane foam for domestic refrigerators and sandwich panels at MTH S.R.L.	82,695	10,750	IBRD