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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: COLOMBIA

Replace page 2, project evaluation sheet with the following page 2.

Replace pages 7 and 8, Secretariat's comments and recommendations with the following pages 7-8.

PROJECT EVALUATION SHEET COLOMBIA

SECTOR: Foam ODS use in sector (1999): 352.7 ODP tonnes

Sub-sector cost-effectiveness thresholds: Integral skin US \$16.86/kg
Multiple US \$13.85/kg*

Project Titles:

- (a) Retroactive funding for the conversion from CFC-11 to water-based technology in the manufacture of flexible molded and integral skin foam at Espumlatex-Promicolda
- (b) Conversion from CFC-11 to HCFC-141b and water based technology in the manufacture of various polyurethane foam applications at 25 small enterprises centered around their systems house, Espumlatex, with a technical assistance program covering distributors
- (c) Conversion from CFC-11 to HCFC-141b and water based technology in the manufacture of various polyurethane foam applications at Olaflex with a technical assistance programme covering 10 small customers

| Project Data | Integral skin | Multiple-subsectors | |
|-------------------------------------|-------------------------------|---------------------|----------|
| | Promicolda | Espumlatex* | Olaflex* |
| Enterprise consumption (ODP tonnes) | 11.50 | 41.50 | 15.70 |
| Project impact (ODP tonnes) | 11.50 | 38.40 | 15.00 |
| Project duration (months) | | 36 | 36 |
| Initial amount requested (US \$) | 193,890 | 620,748 | 191,833 |
| Final project cost (US \$): | | | |
| Incremental capital cost (a) | 217,936 | 584,750 | 212,000 |
| Contingency cost (b) | | 58,475 | 21,200 |
| Incremental operating cost (c) | 150,284 | 138,503 | 123,647 |
| Total project cost (a+b+c) | 368,220 | 781,728 | 356,847 |
| Local ownership (%) | 100% | 100% | 100% |
| Export component (%) | 0% | 0% | 0% |
| Amount requested (US \$) | 0 | 332,768 | 191,833 |
| Cost effectiveness (US \$/kg.) | 16.86 | 8.67 | 11.76 |
| Counterpart funding confirmed? | | Yes | |
| National coordinating agency | Unidad Tecnica de Ozono – UTO | | |
| Implementing agency | UNDP | UNDP | UNDP |

| <i>Secretariat's Recommendations</i> | | | |
|--|--|---------|---------|
| Amount recommended (US \$) | | 332,768 | 191,833 |
| Project impact (ODP tonnes) | | 38.40 | 15.00 |
| Cost effectiveness (US \$/kg) | | 8.67 | 11.76 |
| Implementing agency support cost (US \$) | | 43,260 | 24,938 |
| Total cost to Multilateral Fund (US \$) | | 376,028 | 216,771 |

* Espumlatex project consists of two components, integral skin and rigid foam with composite threshold of US \$12.35/kg. Olaflex project consists of three components 2 integral skin and one rigid foam components with composite cost-effectiveness threshold of US \$13.85/kg. All the components in each project are within the applicable sub-sector cost-effectiveness threshold.

Impact of the projects

1. A total of 115.7 ODP tonnes will be phased out when the Espumlatex and Olaflex projects are implemented. This will eliminate about 33% of Colombia's 1999 consumption of Annex A Group I substances. There will be residual ODS consumption of 10.3 ODP tonnes as a result of the use of HCFC-141b. Espumlatex Promicolida (retroactive funding) project does not impact Colombia's baseline consumption of Annex A CFCs since it was implemented in 1994.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

Espumlatex Systems House

1. The Secretariat and UNDP concluded discussions on this project, following which UNDP withdrew the technical assistance component of the project relating to the distributors.

2. Thus the total project costs remained as earlier agreed for the Espumlatex component and the customers component of US \$16,500 and US \$316,268 respectively for a total grant of US \$332,768. The amount of US \$332,768 is recommended for approval.

Espumlatex Promicolida

3. No agreement was reached on the eligible cost of the retroactive funding as the Secretariat could not recommend any of the costs of the project as eligible for funding as explained below.

Incremental capital cost

4. The replacement of low pressure dispensers with high pressure dispensers is not essential to the conversion from CFC to the substitute blowing agent. This has been confirmed by industry experts and has been applied to all similar projects.

5. UNDP was informed that, the fact that projects that included such costs were earlier approved based on technical information available to the Committee at that time does not make the cost eligible as the company did not have to replace its low pressure machine in order to effect its conversion.

6. Furthermore the project was not submitted at the time when the cost was approved (by default) as an eligible incremental cost. Therefore the amount of US \$217,936 is not an eligible incremental cost.

Incremental operational cost

7. UNDP has not provided actual incremental operational cost incurred by the company which has already been in its post-conversion operation for about 6 years. The theoretical calculation is based on data which are not supported by the technological information on the foam production in the document.

8. Since the project has been completed for longer than two years it was expected that the company would provide actual differences in operational cost. This would have provided a basis for comparison with the theoretical calculation and thus provided the Committee the basis for determining the eligible incremental operating cost to the company.

9. Based on the above, the Secretariat could not recommend the amount of US \$150,284 as eligible incremental operational cost.

Olaflex

10. The Secretariat and UNDP discussed the project and agreed on the eligible grant.

RECOMMENDATIONS

1. The Fund Secretariat recommends blanket approval of the Espumlatex Systems House and the Olaflex projects with the funding levels and associated support costs indicated below.

| | Project Title | Project Funding (US\$) | Support Cost (US\$) | Implementing Agency |
|-----|--|-------------------------------|----------------------------|----------------------------|
| (b) | Conversion from CFC-11 to HCFC-141b and water based technology in the manufacture of various polyurethane foam applications at 25 small enterprises centered around their systems house, Espumlatex, with a technical assistance program covering distributors | 332,768 | 43,260 | UNDP |
| (c) | Conversion from CFC-11 to HCFC-141b and water based technology in the manufacture of various polyurethane foam applications at Olaflex with a technical assistance programme covering 10 small customers | 191,833 | 24,938 | UNDP |