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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-fifth Meeting
Montreal, 5-7 December 2001

PROJECT PROPOSALS: PERU

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Foam:

- Foam sector ODS phaseout plan

UNDP

**PROJECT EVALUATION SHEET
PERU**

SECTOR: Foam ODS use in sector (2000): 346.99 ODP tonnes

Sub-sector cost-effectiveness thresholds: Flexible US \$6.23/kg
Integral skin US \$16.86/kg
Rigid US \$7.83/kg

Project Titles:

(a) Foam sector ODS phaseout plan

Project Data	Multiple-subsectors
Enterprise consumption (ODP tonnes)	35.80
Project impact (ODP tonnes)	33.80
Project duration (months)	36
Initial amount requested (US \$)	343,321
Final project cost (US \$):	
Incremental capital cost (a)	223,500
Contingency cost (b)	22,350
Incremental operating cost (c)	82,806
Total project cost (a+b+c)	328,656
Local ownership (%)	100%
Export component (%)	0%
Amount requested (US \$)	325,277
Cost effectiveness (US \$/kg.)	8.37
Counterpart funding confirmed?	Yes
National coordinating agency	OTO
Implementing agency	UNDP

Secretariat's Recommendations	
Amount recommended (US \$)	325,277
Project impact (ODP tonnes)	33.80
Cost effectiveness (US \$/kg)	8.37
Implementing agency support cost (US \$)	42,286
Total cost to Multilateral Fund (US \$)	367,563

PROJECT DESCRIPTION

Sector background*

- Latest available total ODS consumption (2000)	385.63 ODP tonnes
- Baseline consumption of Annex A Group I substances (CFCs)	289.50 ODP tonnes
- Consumption of Annex A Group I substances for the year 2000	346.99 ODP tonnes
- Baseline consumption of CFCs in foam sector	0 ODP tonnes
- Consumption of CFCs in foam sector in 2000	35.00 ODP tonnes
- Funds approved for investment projects in foam sector as of end of July 2001	US \$361,555
- Quantity of CFC to be phased out in approved investment projects in foam sector as of end of July 2001	40.00 ODP tonnes
- Quantity of CFC phased out from approved investment projects in the foam sector as of end of July 2001 (including CFC phased out in projects not yet reported as completed)	40.00 ODP tonnes
- Quantity of CFCs in approved ongoing investment projects in the foam sector as of end of July 2001	0 ODP tonnes
- Quantity of CFCs remaining to be phased out in the foam sector as of end of July 2001	35.00 ODP tonnes
- Quantity of CFCs to be phased out in investment projects being submitted to the 35 th ExCom (December 2001).	33.80 ODP tonnes
- Quantity of CFCs remaining to be phased out in the foam sector by the end of 2001	1.20 ODP tonnes

* Analysis based on consumption data reported by the Government of Peru to the Fund Secretariat on 20 September 2001.

Multiple Sub-sectors

1. The project proposal addresses the remaining ODS users in the foam sector in Peru. It consists of two main components. Enterprise-specific projects for five identified small and medium ODS-consuming enterprises (SMEs) and technical assistance including a management plan. The Government of Peru on 7 November 2000 promulgated a decree prohibiting import of CFCs for all applications after 2005, except refrigeration servicing. The law also establishes import permit system and a requirement for importers to provide annual plans of gradual reduction of imports. Hence the foam sector phase-out project is designed to meet the needs of the sector during this gradual reduction of CFC consumption in the country. If approved the project will be the final funding request of Peru in the foam sector.

2. The total cost of the project is US \$451,169 made up of US \$60,500 for technical assistance and US \$390,669 for investment projects, while the requested grant is US \$343,321.

3. The five identified enterprises consumed a total of 35.8 ODP tonnes in 2000. Two of the five enterprises (Molflex and Zetaflex) produce flexible (slabstock) boxfoam consuming a total

of 16.3 ODP tonnes. Two others produce rigid foam products – boiler insulation and panels accounting for a total consumption of 14 tonnes. The fifth enterprise produces integral skin shoe soles and accounts for 5.5 ODP tonnes.

4. The boxfoam enterprises will convert to the use of methylene chloride. One boxfoam machine of Zetaflex will be retrofitted while Molflex will convert to use a new special polyol. The rigid foam enterprises (EMSA and Metusa) will convert their production to HCFC-141b technology which involves replacement of a 1974 low pressure dispenser with a high pressure dispenser at EMSA and another high pressure machine to replace hand-mixing operation at Metusa. Polishoes, the shoe sole producer will convert to water-blown technology with interim use of HCFC-141b, requesting a set of temperature controlled tanks and metering pumps.

5. The following is a summary of the costs of the five projects.

	Foam Equipment/ Retrofit US \$	Trials US \$	Technical assistance and training	Contingency	Incremental operating cost	Total US \$	Requested grant US \$
Molflex	--	3,500	10,000	1,350	38,040	52,890	37,380
Zetaflex	50,000	5,000	10,000	6,500	5,072	76,572	64,169
EMSA	65,000	21,500	10,000	9,650	13,920	130,954	79,866
Metusa	12,500	10,000	5,000	2,750	5,320	35,570	18,792
Polishoes	58,000	14,375	5,000	7,738	9,570	94,683	82,614
Total	185,500	54,375	40,000	27,988	71,922	390,669	282,821

Justification for the use of HCFC-141b

6. The project proposal meets the Executive Committee's requirements for the selection of HCFC-141b technology as the alternative technology. The letter of transmittal of the Government of Peru endorsing the enterprises' use of the technology is attached.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

7. The investment projects meet the relevant requirements of the Executive Committee Decision 33/2.

8. The Secretariat and UNDP discussed the project and agreed as follows:

Technical assistance:	US \$60,500
Investment projects:	US \$264,777
Total	US \$325,277

9. The agreement was reached on the understanding that the Government of Peru will not submit any further requests for assistance in the foam sector. UNDP requested flexibility for the Government of Peru in the disbursement of the approved funds.

RECOMMENDATIONS

10. The Fund Secretariat recommends blanket approval of the Peru Foam Sector ODS Phase-out project with the level of funding and associated support cost indicated below.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Foam sector ODS phaseout plan	325,277	42,286	UNDP

11. The approval of the project is on the understanding that the Government of Peru will not submit any further requests for assistance in the foam sector.

12. The Government of Peru will have flexibility in disbursing the approved funds provided that all the project objectives are met.

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GOVERNMENT NOTE OF TRANSMITTAL OF INVESTMENT PROJECTS TO THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

PROJECT(S) OF THE GOVERNMENT OF PERU

The Government of *PERU* requests *UNDP* to submit the project(s) listed in Table 1 below/attached Table 1 to the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol for consideration at its XXXV Meeting.

Section I: ODS Consumption Data

1. The ODS consumption figure(s) of the project(s) has/have been validated by the National Ozone Unit (NOU).
2. The consumption data have been retained in the records of the NOU for reference and/or future verification.
3. The Government has been advised by the NOU that the agreement to the project(s) indicates a commitment to ensure that the validated phase-out figure(s) was/were realized and yielded a sustained reduction from the 2000 (*insert year immediately preceding the preparation of the project*) consumption of 33.8 ODP tonnes for the (foam) sector.

Table 1: Projects Submitted to the XXXV Meeting of the Executive Committee

Project Title/Sector	Type of ODS	Consumption (ODP Tonnes), (Year)	Amount to be Phased Out (ODP Tonnes), (Year)	Implementing Agency
Foam Sector				
Foam Sector ODS Phaseout Plan	CFC11	35.8	33.8	UNDP
Total	CFC11	35.8	33.8	UNDP

Section II: Other Relevant Actions Arising from Decision 33/2

4. It is understood that, in accordance with the relevant guidelines, the funding received for a project would be partly or fully returned to the Multilateral Fund in cases where technology was changed during implementation of the project without informing the Fund Secretariat and without approval by the Executive Committee;

Projects of the Government of _____ Date: _____

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5. The National Ozone Unit undertakes to monitor closely, in cooperation with customs authorities and the environmental protection authorities, the importation and use of CFCs and to combine this monitoring with occasional unscheduled visits to importers and recipient manufacturing companies to check invoices and storage areas for unauthorized use of CFCs.
6. The National Ozone Unit will cooperate with the relevant implementing agencies to conduct safety inspections where applicable and keep reports on incidences of fires resulting from conversion projects.

Section III: Projects Requiring the Use of HCFCs for Conversion *(To be included where applicable)*

7. In line with Decision 27/13 of the Executive Committee and in recognition of Article 2F of the Montreal Protocol, the Government
 - (a) has reviewed the specific situations involved with the project(s) *(insert names of enterprises)* as well as its HCFC commitments under Article 2F; and
 - (b) has nonetheless determined that, at the present time, the projects needed to use HCFCs for an interim period with the understanding that no funding would be available for the future conversion from HCFCs for the company/companies involved.

Name and signature of responsible Officer:
ING. CARMEN ROSA MORA DONAYRE

Designation: _____

Date: _____

Resolución Ministerial N° 164.96.ITINCI/DM el 24.10.1995 del Ministerio de Industria, Turismo, Integración y Negociaciones Comerciales Internacionales

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Projects of the Government of _____ Date: _____