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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-eighth Meeting
Rome, 20-22 November 2002

PROJECT PROPOSAL: LAO, PDR

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

Foam

- Conversion from CFC-11 to methylene chloride (MC) in the manufacture of flexible polyurethane foam (box) at Prasert Foam Co., Ltd.

UNDP

**PROJECT EVALUATION SHEET
LAO, PDR**

SECTOR: Foam ODS use in sector (2000): 30.0 ODP tonnes

Sub-sector cost-effectiveness thresholds: Flexible US \$6.23/kg

Project Titles:

- (a) Conversion from CFC-11 to methylene chloride (MC) in the manufacture of flexible polyurethane foam (box) at Prasert Foam Co., Ltd.

Project Data	Flexible slabstock
	Prasert
Enterprise consumption (ODP tonnes)	16.30
Project impact (ODP tonnes)	16.30
Project duration (months)	24
Initial amount requested (US \$)	175,500
Final project cost (US \$):	
Incremental capital cost (a)	117,130
Contingency cost (b)	11,713
Incremental operating cost (c)	10,500
Total project cost (a+b+c)	139,343
Local ownership (%)	50%
Export component (%)	10%
Amount requested (US \$)	139,343
Cost effectiveness (US \$/kg.)	8.55
Counterpart funding confirmed?	Yes
National coordinating agency	Science Technology & Environment Agency
Implementing agency	UNDP

Secretariat's Recommendations	
Amount recommended (US \$)	139,343
Project impact (ODP tonnes)	16.30
Cost effectiveness (US \$/kg)	8.55
Implementing agency support cost (US \$)	18,115
Total cost to Multilateral Fund (US \$)	157,458

PROJECT DESCRIPTION

Sector background

CFC (Annex A Group I) Consumption and Phase-out Profile

According to Decision 35/57 Lao P.D.R. has selected Option 2 as starting point amounting to:	44.0* ODP tonnes
- Remaining consumption of CFCs eligible for funding as at 38 th Meeting (per Decision 35/57, proviso B)	32.69** ODP tonnes
- Impact of ALL CFC projects submitted for funding at the 38 th Meeting	16.30 ODP tonnes
- Maximum remaining consumption of CFCs eligible for funding following approval of projects submitted to 38 th Meeting	16.39 ODP tonnes

Foam Sector Profile

- Consumption of CFCs in the foam sector in 2000***	30.0 ODP tonnes
- Amount of CFCs to be phased out in on-going foam projects	0 ODP tonnes
- Impact of foam projects submitted for funding at the 38 th Meeting on remaining CFC consumption	16.30 ODP tonnes

* Based on data reported to the Ozone Secretariat for 1999.

** An RMP approved for Lao P.D.R. will phase out 85% (11.31 ODP tonnes) of its 1999 refrigeration sector CFC consumption of 13.3 ODP tonnes.

*** Based on data reported in the country programme for 1999.

Flexible slabstock foam

Prasert Foam Co.

1. Prasert Foam Co. manufactures flexible polyurethane boxfoam ranging in density from 9 kg/m³ – 30 kg/m³ for production of furniture, mattresses and upholstery. The company consumed average of 16.3 tonnes CFC-11 and 4.7 tonnes of methylene chloride in 1998-2000. It operates three locally-made hand-operated boxfoam units. The company will convert the use of CFC-11 to methylene chloride. It is proposed to replace the existing boxfoam units with a semi-automatic boxfoam unit at a cost of US \$137,500 including 10% contingency. The project's total cost has been calculated to be US \$175,500 with total incremental capital cost of US \$165,000, incremental operational cost of US \$10,500 and cost-effectiveness of US \$10.77/kg (exceeding the sub-sector cost-effectiveness threshold value of US \$6.23/kg). The amount of US \$175,500 is requested as the grant for the project.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

2. The Secretariat identified some technical and cost issues to be addressed by UNDP. These issues were discussed and agreed between the Secretariat and UNDP. The amounts of US \$128,843 and US \$10,500 were agreed as incremental capital and operating costs respectively, with a total project cost of US \$139,343 and cost-effectiveness of US \$8.55/kg (above the sub-sector threshold of US \$6.23/kg).

3. In view of the fact that Lao P.D.R. is a low volume ODS consuming country, the project is not subject to cost-effectiveness threshold limitations. Hence, the total project cost of US \$139,343 is recommended for approval as the eligible grant for the project.

RECOMMENDATIONS

4. The Fund Secretariat recommends the Prasert Foam Co. project for blanket approval with the level of funding and associated agency support cost as indicated below.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Conversion from CFC-11 to methylene chloride (MC) in the manufacture of flexible polyurethane foam (box) at Prasert Foam Co., Ltd.	139,343	18,115	UNDP
