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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-ninth Meeting
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PROJECT IMPLEMENTATION DELAYS

Overview

1. This document is submitted as a follow-up to decisions taken at previous meetings of the Executive Committee concerning projects with implementation delays.
2. The reports from the implementing and bilateral agencies on projects with implementation delays are available to Executive Committee members upon request.
3. Section I addresses the projects for which reports were requested and Section II addresses projects proposed by implementing agencies for cancellation. The Executive Committee will consider a paper concerning the Phase-out from Cancelled Projects (UNEP/OzL.Pro/ExCom/39/16) before its consideration of projects with implementation delays. A decision on how to record phase-out would impact the recommendations concerning cancellation in this document.
4. A new section (Section III) was added to the report to consider the impact of delayed and cancelled projects on compliance.

Section I: Projects with implementation delays

5. 123 ongoing projects were classified as projects with implementation delays, i.e., projects expected to be completed over 12 months late or where disbursement occurred 18 months after project approval. The World Bank had 54 delayed projects, followed by UNDP with 36; UNIDO with 19; UNEP with 9; and bilateral agencies with 5.
6. Implementing and bilateral agencies updated the status of projects with implementation delays and included assessments of whether or not the projects had experienced any progress since their last report to the 38th Meeting including projects previously categorized as having delays and those newly classified since the 38th Meeting.
7. Implementing and bilateral agencies categorised the causes for implementation delays associated with these projects according to the seven categories (A through G).
8. Table 1 reflects all of the reasons for delays provided in the agencies' reports. The total number of reasons for delays exceeds the number of delayed projects because some projects had multiple reasons for delays. Table 1 shows that most of the reasons for delays are attributable to the beneficiary enterprise (85). Most of the other reasons for delays are attributed to external circumstances (29), implementing/executing agencies (25), technical reasons (22) and government (17).

Table 1**CATEGORIES OF IMPLEMENTATION DELAYS, BY AGENCY**

Category	Category	Belgium	France	Germany	IBRD	UNDP	UNEP	UNIDO	Total
A	Implementing or Executing Agencies				24	1			25
B	Enterprise				44	27		14	85
C	Technical Reasons				12	9		1	22
D	Government				15	2			17
E	External				24	1		4	29
F	ExCom Decisions								
G	Not Applicable		1			5	5	2	13
N/A	Not Available	1		3	1		4		9
Total		1	1	3	120	45	9	21	200

Progress in resolving causes of delays

9. Agencies indicated that there have been varying degrees of progress. 27 of the projects listed with delays at the 38th Meeting have been completed.

Projects with some progress

10. 71 projects were classified as showing some progress, and would continue to be monitored. It is to be noted that 27 of these projects were classified by the agencies as having had progress. However, they were reclassified as having had some progress since the projects were approved over three years ago and should continue to be monitored pursuant to Decision 32/4.

Projects with deadlines

11. One of the two projects, for which milestones and deadlines were set at the 38th Meeting, did not achieve the required milestone. Despite the fact that the Buffalo enterprise participating in the umbrella TCA project for nine companies in Argentina (ARG/SOL/28/INV/91) did not achieve the deadline, the Secretariat and the World Bank agree that some progress has been achieved. The Bank explained that two of the nine enterprises intend to complete the project and are in the process of doing so. The Bank indicated that it would report on the outcome of a March supervision mission to Argentina on the partial cancellation of this project for the other seven companies.

12. Concerning the other project for which a milestone was set at the 38th Meeting, the Chandra commercial refrigeration project in India (IND/REF/19/INV/92), the deadline set was June 2003. Consequently, the report to the 40th Meeting will enable a determination as to whether or not the deadline was achieved.

Projects with no progress—letter of possible cancellation

13. The projects for which no progress is being reported for the first time are indicated in Table 2. Under the existing procedures, the Secretariat will send notices of possible cancellation for these projects.

Table 2

PROJECTS WITH NO PROGRESS

Agency	Code	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)
Belgium	BOL/FOA/28/INV/10	Conversion from CFC-11 to HCFC-141b technology in the manufacture of rigid polyurethane foam at Quimica Andina	108,480	0
Germany	CPR/REF/27/INV/282	Elimination of CFC-11 and CFC-12 in the manufacture of domestic refrigerators and freezers at China Aerospace Industry Corp. Kunming Refrigerator Factory	1,451,137	1,081,711
IBRD	CPR/FOA/15/INV/86	Conversion to CFC-free technology in manufacture of extruded polyethylene and polystyrene foam sheet at Zhengzhou Plastic Plant	267,100	265,956
IBRD	CPR/FOA/29/INV/323	Conversion of polyurethane slabstock manufacture from CFC-11 to liquid carbon dioxide technology in Handan Huisheng Foam Plant	522,207	0
IBRD	CPR/REF/22/INV/200	Conversion of CFC-12 small open-type refrigerating compressor to HCFC-22 refrigerating compressor at Subei Refrigeration Machinery Factory	1,806,908	1,665,739
IBRD	IND/REF/22/INV/110	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Refrigeration Components and Accessories	125,370	47,994
IBRD	IND/REF/22/INV/124	Elimination of CFCs in the manufacture of commercial refrigeration equipment at Refrigerators and Home Appliances P. Ltd.	147,300	47,994
IBRD	TUN/FOA/26/INV/33	Phaseout of CFC-11 by conversion to liquid carbon dioxide technology in the manufacture of flexible polyurethane foam at Supermousse	529,490	125,818
UNDP	IND/ARS/28/INV/221	Phase out of CFC by substituting HAPs at Syncaps	161,518	99,673
UNDP	IND/FOA/20/INV/101	Elimination of CFCs in the manufacture of EPE foam products at Vora Cork Industries	264,500	209,569
UNDP	MOR/FOA/23/INV/19	Phase out of CFC in the manufacture of flexible foam (slabstock) at MOUSSE D'OR S.A.	280,350	255,192
UNDP	NIR/FOA/26/INV/35	Confidence Products and Services. Phase-out of CFC-11 by conversion to MeCl in the manufacture of flexible foam.	142,300	137,845
UNIDO	NIR/REF/28/INV/51	Replacement of refrigerant CFC-12 with HFC-134a and foam blowing agent CFC-11 with HCFC-141b in the manufacture of domestic refrigeration at Onward Electrical Industry Ltd.	146,927	117,662

Projects with no progress to two consecutive meetings of the Executive Committee

14. After a project is classified as a project with implementation delays, and the agency reports to two consecutive meetings of the Executive Committee that there was no progress, implementing agencies in full consultation with the Government concerned, should establish a deadline for achieving the next project milestone with the understanding that if the milestone was not achieved, the project would be automatically cancelled. The implementing agencies have

either provided milestones and deadlines or will inform the meeting of milestones and deadlines for the following projects:

Code	Agency	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Milestones
ARG/REF/19/INV/43	IBRD	Elimination of CFC in the manufacturing plant of domestic refrigerators at Adzen S.A. C.I.F.	356,970	0	Milestone: tax issues to be resolved by April 2003
CPR/REF/17/INV/119	UNIDO	Conversion of domestic refrigerator and freezer factories to phase out CFC-12 and CFC-11 by hydrocarbon isobutane and cyclopentane at Hangzhou Xiling Holdings Co.	2,790,320	2,479,705	Milestone to be provided during 39th Meeting
CPR/REF/22/INV/214	IBRD	Conversion of CFC-12 medium open type refrigerating compressor at Chongqing Bingyang Refrigerating Machine Co.	1,805,370	1,512,477	Milestone: project completion by August 2003.
PAN/FOA/22/INV/09	UNDP	Elimination of CFCs in the manufacture of extruded polystyrene foam sheet at Productos Moldeados America S.R. Ltda. (Plasticos Modernos)	339,296	124,360	Milestone to be provided during 39th Meeting

Projects where agencies and the Secretariat disagreed on assessment of some progress

15. The following projects were classified with some progress by the implementing agencies, however, the Secretariat assessed these projects with no progress reported since the last meeting:

Code	Agency	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	Secretariat Assessments
CHI/MUS/26/INV/37	IBRD	Montreal Protocol implementation programme (Phase II, second tranche)	2,800,000	1,437,995	Auctions continue to be delayed.
EGY/FOA/22/INV/64	UNDP	Phaseout of the remaining ODS consumption in the foam sector (11 enterprises)	1,672,000	1,149,439	Equipment installed but using CFCs

16. The Secretariat assessed the latest tranche of the Chilean auction programme as having no progress because the last auction continues to be rescheduled. It was first scheduled for August 2001, then February 2002, then June 2002, then October 2002, then November 2002, and now January 2003. Although the report from the World Bank was submitted in February 2003, there was no report that the January 2003 auction took place. Through 2001, the project had a remaining balance of almost US \$1.4 million. The Bank indicated that a CFC consumption survey was undertaken which was followed by legal modification of the bases for bidding in order to allow reimbursement of incremental operation costs. It noted that previously, the auction programme only paid capital expenses. The Bank also noted that the programme had been widened to include the commercial refrigeration sector despite the fact the UNDP was requested by the Government of Chile to prepare a total phase-out programme for its commercial refrigeration project as part of UNDP's 2003 business plan. The Bank indicated that there was some progress since a survey was conducted and the programme was adjusted, and the issues concerning the delay in bidding were resolved. The World Bank may wish to clarify during the 39th Meeting the prospects of the future of the auction programme in the light of these facts to enable the Committee to assess if any further actions are warranted.

17. Despite the fact that all equipment has been installed for the remaining enterprise in the umbrella foam project in Egypt (EGY/FOA/22/INV/64), the remaining enterprise in the project, the Army company, continues to use CFCs and has a sufficient supply to continue using CFCs for two years. UNDP indicated that the company had promised to discontinue the use of CFC by the end of 2003. UNDP plans to send an expert in March 2003 to ascertain the viability of the plan. UNDP may wish to clarify the results of this mission during the 39th Meeting to enable the Committee to assess if any further actions are warranted.

Section II: Projects proposed for possible cancellation at the 39th Meeting

18. Projects are cancelled either through mutual agreement between the implementing agencies and the country concerned or through the procedures for project cancellation that lead to automatic cancellation of projects if milestones and deadlines are not met.

Cancellations through mutual agreement

19. Implementing agencies have indicated that 3 projects listed in Table 3 should be cancelled due to the mutual agreement of the country and implementing agency concerned. The project preparation for the aerosol sector in Croatia under German implementation is being cancelled because the company stopped their production of aerosols. It should be noted that for several of these projects, large sums of funds were disbursed against these projects proposed for cancellation. The amount of actual phase-out indicated by the implementing agencies for these projects is also provided in Table 3. The recording of this phase-out is subject to the Executive Committee's decision concerning Phase-out from Cancelled projects (UNEP/OzL.Pro/ExCom/39/16). In the case of the compressor project, there is no phase-out because compressor projects do not result in direct ODS phase-out. UNIDO indicated that Bole ceased operations and is therefore no longer using CFCs.

Table 3

PROJECTS PROPOSED FOR CANCELLATION BY MUTUAL AGREEMENT

Code	Agency	Project Title	Net Funds Approved (US\$)	Funds Disbursed (US\$)	ODP Phased Out	Comments
CRO/ARS/36/PRP/16	Germany	Project preparation for phasing out of ODS use in Pliva Pharmaceuticals in Croatia	16,500	0	0	Cancel through mutual agreement, company stopped production of aerosols
CPR/REF/23/INV/222	UNIDO	Phasing out ODS at the refrigerator plant of Bole Electric Appliances Group in China	1,469,029	1,145,659	132	Cancel through mutual agreement, company ceased operation
CPR/REF/26/INV/256	UNIDO	Conversion from CFC-12 to isobutane technologies and products at the compressor factory of the Hangli Refrigeration Ltd., in Hangzhou, China	861,000	674,109	0	Cancel through mutual agreement with no phase-out (compressor project)

UNIDO

20. At its 38th Meeting, the Executive Committee approved a Sector plan CFC final phase-out: domestic refrigeration and domestic refrigeration compressors in China under UNIDO implementation (Decision 38/45).

21. Noting that UNIDO has disbursed almost 80 per cent of the funds approved for the two projects indicated above, the Executive Committee may wish to request UNIDO to investigate the possibilities of the redeployment of the equipment from the cancelled projects to activities in the sector plan and adjust the future work programmes in the light of this deployment as part of its request for the second tranche of the sector plan. This would have the added advantage of speeding the implementation of the final phase-out plan.

22. Table 4 includes two projects that may be cancelled due to mutual agreement pending the confirmed agreement of the Government concerned.

Table 4

**PROJECTS PROPOSED FOR CANCELLATION BY MUTUAL AGREEMENT
PENDING GOVERNMENT CONFIRMATION**

Code	Agency	Project Title	Net Approved Funds (US\$)	Funds Disbursed (US\$)	ODP Phased Out
IND/HAL/18/INV/60	IBRD	Conversion from halon-1211 to ABC dry chemical powder (ABC-DCP) and carbon dioxide (CO ₂) in portable extinguishers at Real Value Appliances Ltd.	251,736	0	462
URT/FOA/26/INV/10	UNDP	H.K. Foam. Phase-out of CFC-11 by conversion to MeCl in the manufacture of flexible polyurethane foam.	113,700	7,957	0

World Bank

23. The World Bank reported the implementation of the Real Value project to the 20th Meeting and the phase-out of 462 ODP tonnes has been recorded since then. The project is being cancelled because the 9-yr rehabilitation package awarded by Board for Industrial and Financial Reconstruction (BIFR) has failed, as the promoter could not guarantee funds.

UNDP

24. UNDP indicated that the H.K. Foam project in Tanzania (URT/FOA/26/INV/10) would be cancelled through mutual agreement although it had not received confirmation of the cancellation from the Government. The project was intended to phase-out 32 CFC tonnes. This project was sent a letter of possible cancellation following the 38th Meeting. No equipment has been purchased or delivered for this project.

UNEP

25. UNEP received funds to develop a handbook on the practical use of policy instruments in February 1997. As shown in Table 5, only US \$10,000 of the US \$90,000 for this project had been disbursed through 2001. This activity was originally supposed to be completed in March 1998. The report from UNEP to this meeting was similar to the previous reports that were received on this activity. UNEP has made the following statements about this project that is solely in the hands of UNEP to implement: at the 28th Meeting--consultant delayed because of other commitments but quality review team formed; project to be completed in July 1999; at the 29th Meeting, consultant has continued to work on the document; at the 31st Meeting, project team being reformulated; at the 32nd Meeting, first draft now prepared for quality review, selection of quality review team finalized, draft text being reviewed; at the 33rd Meeting, project is now moving forward and will be completed in June 2001; at the 34th Meeting, project team was reformulated, a letter of possible cancellation was sent to UNEP and UNEP asked consultant to redouble efforts; at the 37th Meeting, document drafted and quality reviewed with layout and printing in first half of 2002; at the 38th Meeting, delays due to internal staff changes at consulting organization; a letter of possible cancellation was sent to UNEP, following the report to the 38th Meeting. UNEP's report to this meeting was that the revised draft document was received and was being reviewed and expected to be completed in April 2003.

Table 5**POSSIBLE ADDITIONAL CANCELLATION**

Code	Agency	Project Title	Net Funds Approved (US\$)	Funds Disbursed (US\$)
GLO/SEV/21/TAS/130	UNEP	Develop a handbook on the practical use of policy instruments	90,000	10,000

26. The Executive Committee may wish to consider cancelling this project if the completed handbook is not provided to the Committee at its 39th Meeting.

Projects automatically cancelled pursuant to Decision 38/8(a)

27. At its 38th Meeting, the Executive Committee decided that projects could be automatically cancelled pursuant to the procedures for project cancellation except "in cases where the Secretariat and the implementing agency did not agree and in those cases where the project was critical to a country's compliance with existing or future control measures of the Montreal Protocol" (Decision 38/8(a)).

28. No projects were cancelled due to the procedures for automatic cancellation.

Section III: Impact of cancelled and delayed projects on compliance

29. This section addresses the impact of projects proposed for cancellation and delayed projects on compliance.

Projects proposed for cancellation and compliance

30. The H.K. Foam project in Tanzania was planned to phase-out 32 ODP tonnes. Tanzania's latest consumption 131.2 ODP tonnes is below its CFC baseline (253.9 ODP tonnes) as well as the 2005 control level. Tanzania will need to phase out an additional 19 ODP tonnes to achieve the 2007 reductions. Tanzania is an LVC for whom an RMP has been approved by the Executive Committee. A full RMP pursuant to Decision 31/48 is under preparation by Germany.

31. No other projects that are proposed for cancellation are critical to compliance.

Projects with implementation delays and compliance

32. During the compliance period, project implementation delays may have an impact on a country's ability to comply with the control measures of the Montreal Protocol. In the past, the Executive Committee has only considered projects with implementation delays after the project was delayed by one year. A delay of one year may result in continued non-compliance if the enterprise continues to consume ODS pending project completion.

Bolivia

33. The Meeting of the Parties found Bolivia to be in non-compliance (Decision XIV/20). The Quimica Andina foam project (BOL/INV/28/FOA/10) under implementation by Belgium has experienced delays and no progress was reported in the documentation for this meeting. A letter of possible cancellation was sent following the 38th Meeting. The project is expected to phase out 5 ODP tonnes of CFCs. Bolivia's ozone office was recently destroyed in a fire, although it is still operational. Belgium intends to provide a report on the status of this project during the 39th Meeting of the Executive Committee. Bolivia is an LVC whose latest consumption is 78.8 ODP tonnes against a baseline of 75.7 ODP tonnes for CFCs. The Executive Committee has approved a full RMP pursuant to Decision 31/48 for Bolivia.

Nigeria

34. The Meeting of the Parties found Nigeria to be in non-compliance (Decision XIV/30). UNDP's ongoing projects critical to Nigeria achieving compliance are delayed until 2003 from planned completions in 2002 amounting to 199 CFC tonnes. UNIDO's ongoing projects critical to Nigeria achieving compliance are delayed until 2003 from planned completions in 2002 amounting to 50.2 CFC tonnes. Of the projects classified with delays, although Government efforts have been effective in resolving issues, and ultimata have been given to recipient companies, the delays appear to be due to the absence of counterpart contributions for local works and other delays at the recipient company level.

35. UNDP indicated that 10 foam projects in Nigeria were completed ahead of schedule (i.e. in 2002 rather than 2003 or 2004). The combined extra phase-out achieved from these 10 projects is 254 ODP tonnes, which is higher than the tonnage associated with the delayed projects of UNDP and UNIDO (249.2 ODP tonnes) and therefore sufficient to enable Nigeria to achieve its consumption targets.

Pakistan

36. Pakistan needs to complete the phase out 265.9 CFC tonnes to be in compliance with the freeze based on 2000 data. It had 1094 tonnes in approved projects at that time to help it achieve the freeze. UNIDO had 147.4 tonnes under its implementation that was supposed to be phased out in 2002 but was now planned for phase out in 2003. The World Bank had 320.6 ODP tonnes under its implementation that was supposed to be phased out in 2002 but was now planned for phase out in 2003.

37. Three refrigeration projects in Pakistan under UNIDO implementation are delayed. Five foam projects and two refrigeration projects in Pakistan under World Bank implementation are delayed. Agencies indicated that work is proceeding but restricted due to current events and travel advisories.

RECOMMENDATIONS

The Sub-Committee on Monitoring, Evaluation, and Finance may wish to consider recommending to the Executive Committee to:

1. Note the document on project implementation delays (UNEP/OzL.Pro/ExCom/39/17).
2. Note with appreciation the reports submitted to the Secretariat on projects with implementation delays provided by Belgium, France, Germany and the four implementing agencies.
3. Note that the Secretariat and implementing agencies would take established actions according to the Secretariat's assessment of status, i.e., progress, some progress, or no progress and report and notify governments as required.
4. Consider the report from the World Bank and decide to partially cancel the umbrella TCA project in Argentina (ARG/SOL/28/INV/91) under World Bank implementation due to the inability of seven of the enterprises to participate in the project noting that none of the funds had been disbursed for these enterprises [and no ODS phase-out achieved].
5. Consider letters of possible cancellation for the Chilean auction project (CHI/MUS/26/INV/37) and the umbrella foam project in Egypt (EGY/FOA/22/INV/64) in the light of the comments in paragraphs 16 and 17 above and the reports from the agencies during the meeting.
6. Cancel the projects through mutual agreement and request UNIDO to investigate the possibilities of the redeployment of the equipment from these cancelled projects to the sector plan and adjust the future work programmes in the light of this redeployment as part of UNIDO's request for the second tranche of the sector plan:

- (a) Project preparation for phasing out of ODS use in Pliva Pharmaceuticals in Croatia (CRO/ARS/36/PRP/16) implemented by Germany, noting that the funds approved for this project (US \$16,500 plus US \$2,145 of support cost) should be offset against future approvals for Germany.
 - (b) Conversion from CFC-12 to isobutane technologies and products at the compressor factory of the Hangli Refrigeration Ltd., in Hangzhou, China (CPR/REF/26/INV/256) implemented by UNIDO, noting that US \$674,109 of the net US \$861,000 approved for the project had been disbursed through 2001 [with no direct phase-out of ODS consumption.]
 - (c) Phasing out ODS at the refrigerator plant of Bole Electric Appliance Group in China (CPR/REF/23/INV/222) implemented by UNIDO, noting that US \$1,145,659 of the net US \$1,469,029 approved for the project had been disbursed through 2001 [with no phase-out of ODS consumption since this was a compressor project with no direct ODS phase-out.]
7. Cancel the projects through mutual agreement as follows pending Government confirmation:
- (a) Conversion from halon 1211 to ABC dry chemical powder and carbon dioxide in portable extinguishers at Real Value Appliances Ltd in India (IND/HAL/18/INV/60) implemented by the World Bank, noting that no funds had been disbursed of the US \$251,736 approved for the project [with 462 ODP tonnes phased out of ODS consumption on the part of the enterprise concerned.]
 - (b) H.K. Foam. Phase-out of CFC-11 by conversion to MeCl in the manufacture of flexible polyurethane foam in Tanzania (URT/FOA/26/INV/10) implemented by UNDP, noting that US \$7,957 of the US \$113,700 approved for the project had been disbursed through 2001 [with no phase-out of ODS consumption.]
8. [Cancel/Note the completion] of the activity to Develop a handbook on the practical use of policy instruments (GLO/SEV/21/TAS/130) implemented by UNEP, [noting that US \$10,000 of the net US \$90,000 approved for the project had been disbursed through 2001.]
9. Request the implementing agencies to reimburse to the Multilateral Fund all remaining balances from cancelled projects as well as those funds from cancelled umbrella projects.
